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**Application Proof of**  
**Vobile Group Limited**  
**阜博集團有限公司**

(the “Company”)

*(Incorporated in the Cayman Islands with limited liability)*

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### Vobile Group Limited

阜博集團有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] in : [REDACTED] Shares (subject to the  
the [REDACTED] [REDACTED])  
Number of [REDACTED] : [REDACTED] Shares (subject to  
re-allocation)  
Number of [REDACTED] : [REDACTED] Shares (subject to re-  
allocation and the [REDACTED])  
Maximum [REDACTED] : HK\$[REDACTED] per [REDACTED],  
plus brokerage of 1%, SFC  
transaction levy of 0.0027% and  
Stock Exchange trading fee of  
0.005% (payable in full on  
application in Hong Kong dollars  
and subject to refund)  
Nominal Value : US\$0.0001 per Share  
[REDACTED] : [REDACTED]

Sole Sponsor, [REDACTED], [REDACTED] and [REDACTED]



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A copy of this [REDACTED], having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this [REDACTED], has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this [REDACTED] or any other documents referred to above.

The [REDACTED] is expected to be determined by agreement between the [REDACTED] (for itself and on behalf of the [REDACTED]) and us on or before [REDACTED] or such later date as may be agreed by the [REDACTED] and us, but in any event not later than [REDACTED]. The [REDACTED] will not be more than HK\$[REDACTED] per [REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED] unless otherwise announced. Investors applying for the [REDACTED] must pay, on application, the maximum [REDACTED] of HK\$[REDACTED] for each [REDACTED] together with a brokerage of 1.0%, a SFC transaction levy of 0.0027% and a [REDACTED] trading fee of 0.005%, subject to refund if the [REDACTED] is lower than HK\$[REDACTED]. If, for any reason, the [REDACTED] is not agreed between the [REDACTED] and us on or before [REDACTED], the [REDACTED] will not proceed and will lapse.

The [REDACTED] (for itself and on behalf of the [REDACTED]) may, where considered appropriate and with our consent, reduce the number of [REDACTED] and/or the indicative [REDACTED] range below that stated in this [REDACTED] at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of the reduction in the number of [REDACTED] and/or the indicative [REDACTED] range will be published in the [South China Morning Post] (in English) and the [Hong Kong Economic Times] (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the [REDACTED]. Such notices will also be available on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of our Company at [www.vobileinc.com](http://www.vobileinc.com). Further details are set forth in the sections headed "Structure of the [REDACTED]" and "How to Apply for [REDACTED]" in this [REDACTED].

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this [REDACTED], including the risk factors set out in the section headed "Risk Factors" in this [REDACTED].

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The [REDACTED] have not been and will not be registered under the US [REDACTED] or any state securities law in the US and may not be offered, sold, pledged or transferred within the US or to or for the account or benefit of a US person. The [REDACTED] may be offered, sold or delivered outside the US in offshore transactions in accordance with [REDACTED].

[REDACTED]

## **EXPECTED TIMETABLE<sup>(1)</sup>**

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**[REDACTED]**

## **EXPECTED TIMETABLE<sup>(1)</sup>**

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**[REDACTED]**

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### IMPORTANT NOTICE TO INVESTORS

*This [REDACTED] is issued by us solely in connection with the [REDACTED] and does not constitute an [REDACTED] to sell or a solicitation of an [REDACTED] to buy any security other than the [REDACTED] offered by this [REDACTED] pursuant to the [REDACTED]. This [REDACTED] may not be used for the purpose of, and does not constitute, an [REDACTED] or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] or the distribution of this [REDACTED] in any jurisdiction other than Hong Kong.*

*You should rely only on the information contained in this [REDACTED] and the [REDACTED] to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this [REDACTED]. Any information or representation not made in this [REDACTED] must not be relied on by you as having been authorized by us, the [REDACTED], the [REDACTED], the Sole Sponsor, any of the [REDACTED], any of their respective directors, or any other person involved in the [REDACTED].*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this [REDACTED]. Since it is a summary, it does not contain all the information that may be important to you. You should read the [REDACTED] in its entirety before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed “Risk factors” of this [REDACTED]. You should read that section carefully before you decide to invest in the [REDACTED].*

## OVERVIEW

We are the leading provider of online video content protection services in terms of 2016 revenue with a worldwide market share of 7.5%, according to Frost & Sullivan, helping our content owner customers identify potentially infringing content and reduce infringement-induced revenue loss. Our customers include some of the world’s largest film studios, including the Top Seven Global Film Studios, and many other film studios, TV networks and other content owners. Leveraging on our core content identification technology underlying our content protection platforms and customer relationships gained through our acquisition of the Conventional PPT business, we are expanding our presence in the online video content distribution market by offering two content monetization platforms facilitating online video content distribution using a revenue-sharing model. We also continue to operate the Conventional PPT business.

Through our proprietary software platforms, we help our content owner customers protect their content from unauthorized use and monetize their content by enabling revenue-sharing for, or in connection with, the distribution of their video content. In addition, we offer content measurement platforms to help our content owner customers measure the viewership of their content. Our business model can be categorized in two parts:

- 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 PPT platform and online video distribution through our Online PPT platforms (including AVOD PPT platform, or “ReClaim,” and our newly developed product, TVOD PPT platform).

## SUMMARY

The following table shows our revenue breakdown by each product in our subscription-based SaaS business and transaction-based SaaS business for the years ended December 31, 2014, 2015 and 2016.

	Year ended December 31,					
	2014		2015		2016	
	US\$'000	%	US\$'000	%	US\$'000	%
<b>Subscription-Based SaaS Business</b>						
<i>Content Protection</i>						
– VideoTracker .....	8,629	85.1	7,992	45.5	8,960	53.4
– MediaWise .....	1,336	13.2	1,321	7.5	1,073	6.4
<i>Content Measurement</i>	168	1.6	356	2.0	408	2.4
Subtotal .....	10,133	99.9	9,669	55.0	10,441	62.2
<b>Transaction-Based SaaS Business</b>						
<i>Content Monetization</i>						
– Conventional PPT .....	–	–	7,786	44.3	5,010	29.8
– Online PPT .....	11	0.1	121	0.7	1,343	8.0
Subtotal .....	11	0.1	7,907	45.0	6,353	37.8
Total .....	10,144	100.0	17,576	100.0	16,794	100.0

## OUR BUSINESS MODEL

### Subscription-Based SaaS Business

#### *VideoTracker Content Protection Platform*

We launched VideoTracker, our principal content protection platform, in 2008. VideoTracker is based on our VDNA technology, a proprietary digital fingerprinting technology that extracts the key characteristics of content for identification. We or our content owner customers use our VDNA tools to create digital “fingerprints” of their video content, which allows us to search over 200,000 websites globally for potentially infringing content. Then, our content owner customers can take appropriate action through our platform, ranging from collecting data to sending content removal requests or take-down notices. Utilizing our VDNA technology, we have established a comprehensive VDNA database consisting of our content owner customers’ authorized digital fingerprints, metadata, and business rules. Our VideoTracker platform offers big data insights as to when and where the content infringement occurred and who consumed the infringing content. For VideoTracker, we charge a monthly subscription fee based on customizable features catered to the specific needs of our customers.

#### *MediaWise Content Protection Platform*

MediaWise is a content identification and filtering product that allows online video sites to identify and filter user-uploaded videos against our VDNA database and provides copyright and other information about the uploaded videos in order for the online video sites to determine whether to publish or block the content. For MediaWise, we charge a monthly subscription fee based on the amount of video content that the online video sites submit to us for identification.



## SUMMARY

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### *TV Ad Tracking and Analysis and mSync Content Measurement Platforms*

Our TV Ad Tracking and Analysis platform is a marketing intelligence product that tracks commercials, trailers, and brand logos across TV networks to help brands validate that their content runs as planned. Our mSync platform is an automatic content recognition product that creates second-screen applications on mobile devices and interactive TV programs for content owners to increase audience engagement and viewership. We charge our customers a monthly subscription fee for these platforms.

### **Transaction-Based SaaS Business**

#### *Conventional PPT Content Monetization Platform*

Our Conventional PPT platform facilitates the distribution of physical home video content for our content owner customers. We negotiate distribution rights and revenue-sharing terms with content owners, and we offer software solutions for transactional data measurement and auditing that enable efficient distribution of our content owner customers' content to hundreds of individual video stores on a revenue-sharing basis. For our Conventional PPT business, we earn a service fee when a video store rents a video disc to its customers. We collect the gross amount from video stores and pay our content owner customers the remaining amount after deducting our service fee.

#### *Online PPT Content Monetization Platforms*

Implementing Conventional PPT's revenue-sharing model, our Online PPT platforms facilitate online video distribution to serve a large and rapidly growing segment of the online video consumption industry. We expect to benefit from the continued growth of our Online PPT platforms.

Our AVOD PPT platform, also known as ReClaim, enables our content owner customers to monetize their content through online video sites that provide content to consumers for free but generate revenue on an advertising-based model. We negotiate content claiming rights and advertising revenue-sharing terms with content owners that distribute video content on online video sites such as YouTube, Dailymotion and Facebook. We help them identify user-uploaded videos that contain their copyrighted material using our VDNA technology and submit claims for compensation due to the usage of their copyrighted videos. For our AVOD PPT business, we generally collect advertising revenue from the online video sites and retain a portion of the revenue as our service fee.

In 2017, we introduced a second Online PPT platform, our TVOD PPT platform, which enables our customers to monetize their content through online video sites that charge consumers a transaction fee to stream or download each piece of video content. As of the Latest Practicable Date, we have acquired content distribution rights and signed content distribution agreements so that we can facilitate the online video distribution to the PRC market using a TVOD PPT platform with our revenue-sharing model. For our TVOD PPT business, we collect revenue from the online video sites and retain a portion of the revenue as our service fee.

For a description of our revenue model, see the section headed "Business – Revenue Model" in this [REDACTED].

## SUMMARY

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### SALES AND MARKETING

We primarily utilize direct sales for our products. Our sales personnel are organized geographically to handle accounts in specific regions. Our Japan-based sales team is responsible for sales activities in Japan, our Hong Kong-based sales team is responsible for other regions of Asia, including China, and our US-based sales team is responsible for sales activities in North America and the rest of the world. Our marketing strategy is focused on increasing brand awareness and generating sales leads through events and digital marketing as well as referrals from existing customers.

### OUR CUSTOMERS AND SUPPLIERS

We primarily target film studios, TV networks and other content owners who use our software platforms to protect, measure and monetize their original video content. As of December 31, 2016, we had approximately 90 active customer accounts, including the Top Seven Global Film Studios as well as many other film studios, TV networks, and other content owners. Our top five customers during the Track Record Period have all maintained their relationships with us throughout the Track Record Period.

We primarily rely on third-party suppliers for computing server, data storage and network bandwidth for our SaaS business, including cloud service suppliers and physical data center suppliers. For our physical data centers, we contract with third-parties to provide us with data center management and server co-location space. For cloud computing services, we utilize two of the leading global cloud service providers to provide on-demand cloud services to suit our business needs. For our Conventional PPT business, we rely on third-party suppliers to provide storage, distribution and fulfillment services to handle and ship video discs from our content owner customers to the video stores.

### RESEARCH AND DEVELOPMENT

Maintaining strong research and development capabilities is important to our success. We believe that we have been able to rapidly scale our product development output and deliver an increasing range of products and services based on our core VDNA technology to fulfill changing customer needs and maximize the quality of user experience. To maintain our leading market position in content protection, we are continually developing and enhancing our VDNA algorithm and video search and discovery capabilities, and investing in our big data capabilities to capitalize on the massive amount of data we generate from our services. We are currently focused on enhancing our software platforms for online video monetization in order to grow our Online PPT business.

### COMPETITION

Our primary competitors in the online video content protection market include SaaS providers who offer online video content protection solutions using digital fingerprinting and/or watermarking technology. The competitive landscape of the global online video content protection market is relatively fragmented with the top five players occupying 27.8% of the market share in 2016. We believe our products' quality, scalability, stability, and comprehensiveness allow us to compete favorably. We do not believe that we presently face direct competition for our Conventional PPT platform-based services; however, our main competition is the alternative ways for consumers to consume video content other than renting in a video store, such as online video streaming. Our AVOD PPT platform faces competition from several of the Multi-Channel Networks that have developed in-house content management and claiming capabilities to serve their video channels on YouTube. In addition, content owners may form direct relationships with online video sites that could potentially reduce demand for our AVOD and TVOD platforms. However, we believe that our advanced VDNA technology, our operational scale, and our established relationship with the content owners give us a competitive advantage.

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### OUR INDUSTRY AND MARKET

#### Online Video Protection Market

The risks of piracy and copyright violation remain pervasive in the online video sector and online video content protection service providers help the protection of video content by using watermarking and fingerprinting technology that can facilitate critical business functions, including content identification, copyright protection, and data intelligence. Frost & Sullivan projects that the online video content protection market will grow from US\$133.8 million in 2016 to US\$194.6 million in 2021 globally, while the online video content protection market in the US and China will reach US\$108.8 million and US\$17.7 million, respectively, in 2021.

#### Online Video Monetization Market

Online video sites usually need to spend large upfront guarantee fees to purchase copyright of content based on heavy negotiation. Online video monetization model enables online video sites to acquire large number of videos from content owners without significant upfront guarantee, but instead share a portion of their revenue generated from advertisement (AVOD) and/or consumer spending (TVOD). Due to the cost-saving advantage, the online video monetization model achieved rapid expansion in the last five years. The global AVOD and TVOD monetization markets are forecasted to grow at a CAGR of 22.4% and 20.2% from 2017 to 2021, reaching US\$36.1 billion and US\$2.3 billion in 2021, respectively. Although the online video monetization market is in very early stages in China, with more international enterprises entering China market, it's projected that the AVOD monetization model and TVOD monetization model will reach US\$9.1 billion and US\$159.7 million in 2021, respectively.

#### Video Measurement Service Market

Video measurement is applied in TV and online video measurement to measure video advertising performance and audience information. The TV measurement market in the US was US\$2.5 billion in 2016 and is projected to reach US\$3.5 billion in 2021. The online video measurement market in the US was US\$64.6 million in 2016 and is projected to reach US\$281.6 million in 2021.

### OUR COMPETITIVE STRENGTHS

We believe that our success to date and potential for future growth are attributable to our competitive strengths, which include the following:

- Leading Market Position
- Strong Customer Base with Stable and Trusted Relationships
- Strong Product Development and Technological Capabilities
- Capability to Grow our Online PPT Platforms
- Experienced Management Team and Reputable Investor Base

For a detailed discussion of these competitive advantages, see the section headed "Business – Our Competitive Strengths" in this [REDACTED].

### OUR BUSINESS STRATEGIES

Our strategy is to strengthen our position as a comprehensive software platform provider to film studios, TV networks and other content owners to reduce infringement-related revenue loss and enable new revenue opportunities throughout the video distribution chain. To achieve our business goals, we intend to:

- Continue to Strengthen Our Leading Market Position in Content Protection

## SUMMARY

- Grow Our Online PPT and Content Measurement Platforms
- Selectively Pursue Expansion Opportunities in China and Europe
- Pursue Business Expansion via Strategic Alliances and Acquisitions

For a detailed discussion of these business strategies, see the section headed “Business – Our Strategies for Growth” in this [REDACTED].

## RISK FACTORS

We believe that there are certain risks involved in relating to an investment in our Shares. Any of the following developments may have a material and adverse effect on our business, financial condition, results of operations, and prospects: we primarily sell our subscription-based SaaS to a limited number of content owners. If one or more of our major customers scales back the use of our services, our business will be harmed; we do not have long-term commitments from our customers, and most our customers may terminate contracts without cause before completion; our limited operating history makes it difficult to evaluate our current business and future prospects and we may not be able to sustain profitability; our results of operation depend significantly on the profitability of VideoTracker; our growth prospects will suffer if we are unable to grow our Online PPT platforms; we are subject to potential impairment losses on goodwill of our acquired Conventional PPT business; if we fail to acquire new customers and retain our existing customers for our content protection and Online PPT platforms, our business and results of operation may be materially and adversely affected; and we may fail to grow our operations in non-US markets. For a detailed discussion of the risks of our business, see the section headed “Risk Factors” in this [REDACTED].

## [REDACTED] INVESTMENT

Prior to the Reorganization, our then ultimate holding company, VideoMobile, conducted four rounds of [REDACTED] investment through the sale of preference shares, summarized below:

Preference share series of VideoMobile	Offering period	Price paid by investors per preference share of VideoMobile <sup>(1)</sup>	No. of preference shares of VideoMobile issued	Amount raised	Discount/ (Premium) of price paid to [REDACTED] <sup>(1)(2)</sup>
	(month/year)	(US\$)	(millions)	(US\$ millions)	
Series A .....	05/2006 to 08/2007	0.21 to 0.30	9.81	2.57	[REDACTED]% to [REDACTED]%
Series B .....	10/2007 and 06/2010	0.54	18.96	10.24	[REDACTED]% [REDACTED]%
Series C .....	12/2013 to 04/2014	0.72 to 0.90	12.55	11.25	to [REDACTED]% [REDACTED]%
Series D .....	01/2015 to 07/2016	1.75	9.77	17.10	[REDACTED]%

**Notes:**

- (1) The consideration paid by the [REDACTED] Investors was for the subscription of the preference shares of VideoMobile prior to the occurrence of the Reorganization and Spin-off. Immediately upon completion of the Reorganization and Spin-off, the [REDACTED] Investors held the preference shares of, and have an interest in, VideoMobile (which in turn owns its subsidiaries, including VideoMobile PRC Entities) and our Company (which in turn owns our subsidiaries).
- (2) The discount/(premium) of the price paid per preference share of VideoMobile to the [REDACTED] is calculated on the basis that the price paid per preference share of VideoMobile is adjusted for the effect of the [REDACTED] and the [REDACTED] is HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED].

As a result of the Reorganization and Spin-off, we issued the same number and series of Preference Shares to the same [REDACTED] Investors as the [REDACTED] Investors

## SUMMARY

held in VideoMobile. All of these Preference Shares will convert automatically on a one-for-one basis into Shares upon consummation of the [REDACTED], and are subject to an investors’ rights agreement which will terminate upon such consummation, except for a six-month lock up. For more details, see the section headed “History, Reorganization and Corporate Structure” in this [REDACTED].

### PRE-[REDACTED] SHARE OPTION SCHEME AND POST-[REDACTED] SHARE OPTION SCHEME

We maintain share option schemes to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants and advisers of our Group and to promote the success of the business of our Group. We adopted the Pre-[REDACTED] Share Option Scheme on December 30, 2016, which terminates upon the [REDACTED], but prior-granted Pre-[REDACTED] Options are not impacted by such termination. We also conditionally adopted the Post-[REDACTED] Share Option Scheme pursuant to a resolution passed by our Shareholders on [●]. For more details, see the sections headed “Statutory and General Information – Other Information – Pre-[REDACTED] Share Option Scheme” and “Statutory and General Information – Other Information – Post-[REDACTED] Share Option Scheme” in Appendix IV in this [REDACTED].

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table presents a summary of our consolidated financial information of Vobile Group Limited as a group for the Track Record Period. The summary of consolidated financial information is derived from, and should be read in conjunction with, our audited financial statements included in the Accountants’ Report set forth in Appendix I to this [REDACTED]. Our financial statements have been prepared in accordance with IFRS.

#### Key consolidated statements of profit or loss and other comprehensive income items

	Year ended December 31,		
	2014	2015 <sup>(1)</sup>	2016 <sup>(1)</sup>
	US\$’000	US\$’000	US\$’000
Revenue <sup>(1)</sup> . . . . .	10,144	17,576	16,794
Gross profit . . . . .	8,984	13,667	13,276
Profit before tax . . . . .	2,727	4,257	3,974
Profit for the year attributable to owners of our company <sup>(2)</sup> . . . . .	1,813	2,627	2,838

Note:

- (1) We acquired the Conventional PPT business in January 2015 and our financial results for these periods also include results from our Conventional PPT business.
- (2) [REDACTED] expenses of US\$[REDACTED] was included as administrative expenses for the year ended December 31, 2016.

## SUMMARY

### Key consolidated statements of financial position items

	Year ended December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Total non-current assets .....	7,438	13,148	12,167
Total current assets .....	3,928	10,917	12,916
Total current liabilities .....	20,362	25,309	3,321
Net current assets/(liabilities) .....	(16,434)	(14,392)	9,595
Net assets/(liabilities) .....	(8,999)	(1,245)	21,762

As of December 31, 2014 and December 31, 2015, our Group had net current liabilities of US\$16.4 million and US\$14.4 million, and net liabilities of US\$9.0 million and US\$1.2 million, respectively, which mainly arose from the amount due to VideoMobile of US\$19.0 million and US\$19.8 million as of December 31, 2014 and December 31, 2015, respectively. The amount due to VideoMobile arose from the Reorganization and the balance was transferred to other reserves upon assignment of the balance from VideoMobile to our Company in 2016 as part of the Reorganization.

### Key consolidated statements of cash flows items

	Year ended December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Net cash flows from operating activities ..	3,814	5,584	2,754
Net cash flows used in investing activities .....	(444)	(4,542)	(32)
Net cash flows (used in)/from financing activities .....	(1,602)	802	374
Net increase in cash and cash equivalents .....	1,768	1,844	3,096
Cash and cash equivalents at beginning of year .....	438	2,220	4,050
Effect of foreign exchange rate changes, net .....	14	(14)	(7)
Cash and cash equivalents at end of year ..	2,220	4,050	7,139

### Key Financial Ratios

The following table sets forth our key financial ratios for the periods indicated. For a description of calculation methodology of those ratios, see section headed “Financial Information – Key Financial Ratios” in this [REDACTED].

	Year ended December 31,		
	2014	2015	2016
Gross profit margin (%) .....	88.6	77.8	79.1
Net profit margin (%) .....	17.9	14.9	16.9
Return on equity (%) .....	N/A	N/A	13.0
Return on total assets (%) .....	16.0	10.9	11.3



## SUMMARY

	As at December 31,		
	2014	2015	2016
Current ratios . . . . .	0.2	0.4	3.9
Gearing ratio . . . . .	N/A	N/A	N/A
Net debt to equity ratio . . . . .	N/A	N/A	N/A

### STATISTICS OF THE [REDACTED]<sup>(1)</sup>

The [REDACTED] will represent approximately [REDACTED]% of the issued share capital of our Company immediately following the completion of the [REDACTED], assuming the [REDACTED] and the options that have been granted under the Pre-[REDACTED] Share Option Scheme are not exercised. If the [REDACTED] is exercised in full, and no new Shares are issued pursuant to the exercise of the options granted under the Pre-[REDACTED] Share Option Scheme, then the [REDACTED] will represent approximately [REDACTED]% of the issued share capital of our Company immediately following the completion of the [REDACTED] and the [REDACTED].

	Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]
Market capitalization of our Company <sup>(2)</sup> . . . . .	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited pro forma adjusted consolidated net tangible asset value per Share <sup>(3)</sup> . . . . .	HK\$[REDACTED]	HK\$[REDACTED]

#### Notes:

- (1) Our Shares being offered in the [REDACTED] will rank pari passu with all Shares in issue or to be issued and will qualify for all dividends or other distributions declared, made or paid after the date of this [REDACTED].
- (2) The calculation of market capitalization is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED] and the [REDACTED]. The market capitalization does not take into account any Shares that may be allotted and issued pursuant to the exercise of the [REDACTED] or any options that have been granted under the Pre-[REDACTED] Share Option Scheme or may be granted under the Post-[REDACTED] Share Option Scheme.
- (3) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in the section headed “Unaudited pro forma financial information” in Appendix II to this [REDACTED] and based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED] and the [REDACTED] but does not take into account any Shares that may be allotted and issued pursuant to the exercise of the [REDACTED] or any options that have been granted under the Pre-[REDACTED] Share Option Scheme or may be granted under the Post-[REDACTED] Share Option Scheme and the respective [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED].

### DIVIDEND POLICY

Our Shareholders will be entitled to receive dividends declared by us. Dividend payments are discretionary and will be subject to approval by our Board or approval of our Shareholders in general meetings up to the amount recommended by our Board. We have not to date ever declared a dividend. After completion of the [REDACTED], we may distribute dividends depend on our future results of operations, financial condition, capital requirements, legal and contractual restrictions and other factors that our Board may deem relevant.

### [REDACTED] EXPENSES

We expect to incur a total of approximately US\$[REDACTED] of [REDACTED] expenses (or approximately US\$[REDACTED] after excluding [REDACTED] commission of approximately US\$[REDACTED]) (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative

## SUMMARY

[REDACTED] range between HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED], and assuming that the [REDACTED] is not exercised) until the completion of the [REDACTED], of which approximately US\$[REDACTED] is charged to our consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2016, approximately US\$[REDACTED] is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending December 31, 2017, and approximately US\$[REDACTED] will be capitalized. [REDACTED] expenses represent professional fees and other fees incurred in connection with the [REDACTED], including [REDACTED] commissions. The [REDACTED] expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

### [REDACTED]

The aggregate amount of the net [REDACTED] from the [REDACTED] is estimated to be approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]), excluding the exercise of the [REDACTED] and after deducting [REDACTED] fees and other costs payable by our Company in connection with the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative range of the [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED].

We intend to use the net [REDACTED] of the [REDACTED] to fund the growth of our business. We plan to use the net [REDACTED] of the [REDACTED] as follows:

[REDACTED]	% of net [REDACTED]	US\$ millions	HK\$ millions
Implement sales and marketing initiatives . . . . .	20	[REDACTED]	[REDACTED]
Upgrade and enhance our infrastructure and facility . . . . .	20	[REDACTED]	[REDACTED]
Acquisitions of businesses or assets . . . . .	20	[REDACTED]	[REDACTED]
Expand existing offices and geographic coverage . . . . .	15	[REDACTED]	[REDACTED]
Expand research and development . . . . .	15	[REDACTED]	[REDACTED]
General working capital . . . . .	10	[REDACTED]	[REDACTED]

For details on how we plan to use the net [REDACTED] from the [REDACTED], see the section headed “Future Plans and [REDACTED]” in this [REDACTED].

## RECENT DEVELOPMENTS

In the four months ended April 30, 2017, in line with our expectation, our revenue in the first four months experienced a modest decrease. Although revenue from our Online PPT business experience significant growth compared to the four-month period ended April 30, 2016, the level of growth had not fully offset the decreasing effect of revenue from the Conventional PPT due to the closure of a large video store chain in the summer of 2016. Our gross profit decreased modestly in line with the decrease of revenue and our gross profit margin slightly increased during the period.

Our Directors have confirmed that from December 31, 2016 up to the date of this [REDACTED], there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our Group’s consolidated financial statement Accountants’ Report in Appendix I to this [REDACTED].



## DEFINITIONS

*In this [REDACTED], unless the context otherwise requires, the following expressions have the following meanings:*

“affiliate(s)” any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person

[REDACTED]

“Articles of Association” or “Articles” the articles of association of our Company conditionally adopted on [●] to take effect on the [REDACTED] and as amended from time to time, a summary of which is set out in Appendix III to this [REDACTED]

“associate(s)” has the meaning ascribed thereto under the [REDACTED]

“AT&T” AT&T Media Holdings, Inc., a corporation incorporated in the state of Delaware of the US on September 8, 2006, wholly owned by AT&T, Inc., a publicly held company listed on the New York Stock Exchange, which is otherwise an Independent Third Party

“Blayze” Blayze Inc., a corporation incorporated in the state of Delaware of the United States on April 23, 2012, which was majority owned by Mr. Smith, currently a senior management member of our Company, and which was beginning to engage in the AVOD PPT business when Vobile US acquired its assets in February 2014

“Board” or “Board of Directors” the board of directors

“Business Day” a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

“CAGR” acronym for compound annual growth rate

## DEFINITIONS

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[REDACTED]

“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this [REDACTED], Hong Kong, Macau Special Administrative Region and Taiwan
“Companies Law” or “Cayman Islands Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Vobile Group Limited (阜博集團有限公司) (formerly known as Vobile Limited), an exempted company incorporated with limited liability under the laws of the Cayman Islands on July 28, 2016
“connected person(s)”	has the meaning ascribed thereto under the [REDACTED]
“Deed of Indemnity”	the deed of indemnity dated [●] entered into by VideoMobile in favor of our Company to provide certain indemnities, particulars of which are set out in the section headed “Statutory and General Information – Other Information – Tax and other indemnities” in Appendix IV to this [REDACTED]

## DEFINITIONS

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“Deed of Non-competition”	the deed of non-competition dated [●] entered into by VideoMobile in favor of our Company, details of which are set out in the section headed “History, Reorganization and Corporate Structure – Separated operations – Deed of Non-competition” in this [REDACTED]
“Director(s)”	the directors of our Company
“EDBI”	EDB Investments, Pte., Ltd., a private limited company incorporated in Singapore in 1991, which is wholly owned by the Economic Development Board of Singapore, an Independent Third Party
“Frost & Sullivan”	Frost & Sullivan International Limited, the industry consultant of our Company and an Independent Third Party
“Frost & Sullivan Report”	the report prepared by Frost & Sullivan for the section headed “Industry Overview” of this [REDACTED]
“GDP”	gross domestic product

[REDACTED]

“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

[REDACTED]

## DEFINITIONS

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[REDACTED]

“Hong Kong”, “HKSAR” or  
“HK”

the Hong Kong Special Administrative Region of the  
PRC

[REDACTED]

“IFRS”

International Financial Reporting Standards

“Independent Third Party(ies)”

an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the [REDACTED]) any director, chief executive or substantial shareholder (within the meaning of the [REDACTED]) of our Company, its subsidiaries or any of their respective associates

## DEFINITIONS

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“Intellectual Property Agreement”

the intellectual property agreement dated December 3, 2016 entered into between VideoMobile and our Company in relation to the transfer of intellectual property

[REDACTED]

“IPV”

IPV Capital II HK Limited, a company incorporated in Hong Kong, which is owned as to 59.7% by IPV Capital II, L.P. and 40.3% by IPV Capital II-S, L.P., each an exempted limited partnership registered in the Cayman Islands whose general partner is IPV Management II, L.P., an exempted limited partnership registered in the Cayman Islands whose general partner is IPV Management II, Ltd., a company incorporated in the Cayman Islands which is owned as to 50% by Tianru LIU and 50.0% by Terence Eng Chuan TAN, each of whom is an Independent Third Party

## DEFINITIONS

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"JYW Trust" The JYW Family Living Trust, a revocable trust established under the laws of the state of California of the US by Mr. Wang and his wife as the settlors and trustees for themselves and their family members

"Latest Practicable Date" June 12, 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this [REDACTED] prior to its publication

"Leading Season" Leading Season Limited, an international business company incorporated in Seychelles on January 11, 2016 owned as to 50% by WANG Huimin and 50% by YAO Xiaojun, both of whom are Independent Third Parties

[REDACTED]

[REDACTED] the date, expected to be on or about [REDACTED], on which dealings in the Shares first commence on the Stock Exchange

[REDACTED]

"LRC" LRC Oregon Inc., a corporation incorporated in the state of Oregon of the US on June 30, 1997, wholly owned by Vobile US

"Main Board" the stock exchange operated by the Stock Exchange before the establishment of the Growth Enterprise Market of the Stock Exchange (excluding the option market) and which continues to be operated by the Stock Exchange in parallel with the Growth Enterprise Market of the Stock Exchange

"Memorandum of Association" or "Memorandum" the memorandum of association of our Company

"Mr. Altman" Vernon Edward ALTMAN, a non-executive Director

"Mr. Erwin" Timothy John ERWIN, a member of the senior management of our Company

## DEFINITIONS

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“Mr. Lu”	LU Jian, one of our Shareholders
“Mr. Smith”	Benjamin Russell SMITH, a member of the senior management of our Company
“Mr. Wang”	Yangbin Bernard WANG, chairman of our Board, an executive Director and the chief executive officer of our Group
“Mr. Wargo”	J David WARGO, a non-executive Director
“Mr. Witte”	Michael Paul WITTE, alias Mike Witte, an executive Director
“Mr. Wurzburg”	Stephen Max WURZBURG, a partner of Pillsbury Winthrop Shaw Pittman LLP, the Company’s outside legal counsel in connection with, among other things, the [REDACTED]
“Mr. Zhu”	ZHU Xianming, alias Simon ZHU, an executive Director
“non-Conventional PPT business”	our Company’s business other than the Conventional PPT business

[REDACTED]

“Operating Subsidiaries”	Vobile Canada, Vobile Hong Kong, Vobile Japan, and Vobile US, which, after the Reorganization, are the subsidiaries of our Company which carry on its business operations
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## DEFINITIONS

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[REDACTED]

“Post-[REDACTED] Share Option Scheme”	the share option scheme conditionally adopted by our Company on [●], the principal terms of which are summarized under the section headed “Statutory and General Information – Other Information – Post-[REDACTED] Share Option Scheme” in Appendix IV to this [REDACTED]
“Preference Shares”	the Series A Preference Shares, Series B Preference Shares, Series C Preference Shares, and Series D Preference Shares
“[REDACTED] Investors”	persons who hold Series A Preference Shares, Series B Preference Shares, Series C Preference Shares, and/or Series D Preference Shares, and therefore are the Series A [REDACTED] Investors, the Series B [REDACTED] Investors, the Series C [REDACTED] Investors, and the Series D [REDACTED] Investors
“Pre-[REDACTED] Options”	the options to subscribe for our Shares granted under the Pre-[REDACTED] Share Option Scheme prior to [REDACTED]
“Pre-[REDACTED] Share Option Scheme”	the 2016 Stock Incentive Plan of our Company adopted on December 30, 2016 as described in the paragraph headed “Statutory and General Information – Other Information – Pre-[REDACTED] Share Option Scheme” in Appendix IV to this [REDACTED]

[REDACTED]



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## DEFINITIONS

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“Remuneration Committee”	the remuneration committee of the Board
“Rentrak”	Rentrak Corporation, a corporation incorporated in the state of Oregon, US in 1977, a former publicly traded NASDAQ company that was acquired by comScore, Inc., another publicly traded NASDAQ company in 2016
“Reorganization”	the corporate reorganization of our Group conducted in preparation for the [REDACTED], details of which are set out in the section headed “History, Reorganization and Corporate Structure – Our Reorganization” in this [REDACTED]
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Series A [REDACTED] Investors”	a [REDACTED] Investor who purchased Series A preference shares in VideoMobile and who as a result of the Reorganization and Spin-off holds Series A Preference Shares
“Series A Preference Share(s)”	the Series A preference share(s) of our Company with a nominal value of US\$0.0001 each
“Series B [REDACTED] Investors”	a [REDACTED] Investor who purchased Series B preference shares in VideoMobile and who as a result of the Reorganization and Spin-off holds Series B Preference Shares
“Series B Preference Share(s)”	the Series B preference share(s) of our Company with a nominal value of US\$0.0001 each
“Series C [REDACTED] Investors”	a [REDACTED] Investor who purchased Series C preference shares in VideoMobile and who as a result of the Reorganization and Spin-off holds Series C Preference Shares
“Series C Preference Share(s)”	the Series C preference share(s) of our Company with a nominal value of US\$0.0001 each
“Series D [REDACTED] Investors”	a [REDACTED] Investor who purchased Series D preference shares in VideoMobile and who as a result of the Reorganization and Spin-off holds Series D Preference Shares

## DEFINITIONS

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“Series D Preference Share(s)”	the Series D preference share(s) of our Company with a nominal value of US\$0.0001 each
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the capital of our Company with a nominal value of US\$0.01 each prior to the Share Subdivision or US\$0.0001 each following the Share Subdivision
“Share Subdivision”	the subdivision of each issued and unissued Share with a nominal value of US\$0.01 each into 100 Shares with a nominal value of US\$0.0001 each
“Shareholder(s)”	holder(s) of the Share(s)

[REDACTED]

“Sole Sponsor”	CITIC CLSA Capital Markets Limited
“Spin-off”	the spin-off of our Group from VideoMobile on January 1, 2017 pursuant to the distribution in specie by VideoMobile to its shareholders of all our Shares and Preference Shares as described in the section titled “History, Reorganization and Corporate Structure – Our Reorganization” of this [REDACTED]
“Spinoff Agreement”	the spinoff agreement dated December 3, 2016 entered into between VideoMobile and our Company in relation to the separation of our Company from VideoMobile

[REDACTED]

“Steamboat II”	Steamboat Ventures II and Steamboat Ventures II Co-Investment Fund
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## DEFINITIONS

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"Steamboat Ventures II"	Steamboat Ventures II, LLC, a limited liability company organized under the laws of the state of Delaware of the US whose managing member is Steamboat Ventures Manager II
"Steamboat Ventures II Co-Investment Fund"	Steamboat Ventures II Co-Investment Fund, LP, a limited partnership established under the laws of the state of Delaware of the US whose general partner is Steamboat Ventures Manager II
"Steamboat Ventures Manager II"	Steamboat Ventures Manager II, LLC, a limited liability company organized under the laws of the state of Delaware of the US whose managing member is John BALL, an Independent Third Party
<b>[REDACTED]</b>	
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 2 of the Companies Ordinance
"substantial shareholders"	has the meaning ascribed to it under the <b>[REDACTED]</b>
"Top Seven Global Film Studios"	the top seven global film studios as ranked by box office grosses in each of 2014, 2015 and 2016 according to Frost & Sullivan
"Track Record Period"	the three years ended December 31, 2016
"Transition Services Agreement"	the transition services agreement dated December 3, 2016 entered into between VideoMobile and our Company in relation to the provision of software support and related implementation services

**[REDACTED]**

## DEFINITIONS

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"United States" or "US"	the United States of America, its territories and possessions, any state of the United States, and the District of Columbia
"US dollars", "USD" or "US\$"	US dollars, the lawful currency of the US
"US Person"	has the meaning given to it in [REDACTED]

[REDACTED]

"VideoMobile"	VideoMobile Co., Ltd. (formerly known as Vobile Co. Ltd.), an exempted company incorporated in the Cayman Islands with limited liability on July 18, 2005 in which an Independent Third Party is expected to acquire slightly more than a 50% stake after the Spin-off. The transaction is expected to be completed by September 2017
"VideoMobile BVI"	VideoMobile Holdings Limited (formerly known as Vobile Holdings Limited), a company incorporated in British Virgins Islands with limited liability on December 16, 2005 wholly owned by VideoMobile
"VideoMobile PRC"	阜博通 (杭州)信息科技有限公司, a company established in the PRC on March 1, 2012 wholly owned by VideoMobile BVI
"VideoMobile PRC Entities"	VideoMobile PRC and its subsidiaries, namely 阜博通 (杭州)網絡科技有限公司, a company established in the PRC on January 24, 2006, 阜博通(上海)影音科技有限公司, a company established in the PRC on November 21, 2014, and 武漢阜博通科技有限公司, a company established in the PRC on January 20, 2016
"Vobile Canada"	Vobile Canada Inc. (formerly known as 1026427 B.C. Ltd.), a corporation incorporated in the province of British Columbia of Canada on January 30, 2015 wholly owned by our Company after the Reorganization
"Vobile Hong Kong"	Vobile Group (HK) Limited 阜博集團(香港)有限公司 (formerly known as Vobile Group Limited), a private company limited by shares incorporated in Hong Kong on December 18, 2014 wholly owned by our Company after the Reorganization

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## DEFINITIONS

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“Vobile Japan”	Vobile Japan, Inc., a Japanese Kabushiki Kaisha (KK) incorporated on December 7, 2010 owned as to 99.75% by our Company and 0.25% by Mitsuru OHKI, a director of Vobile Japan
“Vobile LLC”	Vobile Home Entertainment LLC, a limited liability company formed in the state of Delaware of the US on January 29, 2015 wholly owned by Vobile US
“Vobile Singapore”	Vobile Pte. Ltd., a private company limited by shares incorporated in Singapore on July 8, 2010 wholly owned by VideoMobile BVI
“Vobile US”	Vobile, Inc., a corporation incorporated in the state of California of the US on May 20, 2005 wholly owned by our Company after the Reorganization

[REDACTED]

“YBW Trust”	The YBW 2016 Annuity Trust, an irrevocable grantor retained annuity trust established under the laws of the state of California by Mr. Wang and the JYW Trust on December 16, 2016 of which Mr. Wang is the trustee, and his children are the beneficiaries. At the end of three years, the YBW Trust would have a corpus representing the appreciation on the original shares with the original value of the shares to revert back to Mr. Wang. At the end of three years, a new irrevocable trust is created for the benefit of Mr. Wang’s children with such appreciation as the corpus of which Mr. Wurzburg is the trustee
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[REDACTED]

“%”	per cent
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*Certain amounts and percentage figures included in this [REDACTED] have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

*If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “\*” and the Chinese translation of company names in English which are marked with “\*” is for identification purpose only.*

*Unless otherwise specified, all relevant information in this [REDACTED] assumes no exercise of the [REDACTED].*

## GLOSSARY OF TECHNICAL TERMS

*This glossary contains definitions of certain terms used in this [REDACTED] in connection with our business. These terms and their definitions may not correspond to any industry standard definitions and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our Company.*

"advertising VOD" or "AVOD"	advertising video-on-demand, a business model for video-on-demand service where the video content is made available to the user at no charge but generates revenue through advertisements in the video content
"Blu-ray"	a digital optical disc data storage format that has the same size plastic disc with DVD, but is capable of storing high-definition and ultra high-definition video resolution
"content owner"	a person who holds the copyright rights to video, audio or image content
"Conventional PPT"	our Pay Per Transaction platform to facilitate conventional home video distribution
"downloading sites"	a type of hosting site that allows users to download the content
"fingerprint"	small digital codes, computed from the digitized images of a video sequence, and designed to represent its content
"hosting sites"	sites that host video content to allow users to stream or download the content
"linking sites"	sites that do not host content but include links that direct a user to a site that hosts content so that a user can consume content
"metadata"	data that describes a video content, such as its title, description, director, actors, genre, etc.
"Multi-Channel Networks" or "MCN"	an organization that works with video platforms such as YouTube to offer assistance to a channel owner in areas such as product, programming, funding, cross-promotion, partner management, digital rights management, monetization/sales, and/or audience development in exchange for a percentage of the advertising revenue from the channel
"Online PPT platforms"	the AVOD PPT platform and TVOD PPT platform

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## GLOSSARY OF TECHNICAL TERMS

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"OVCP"	online video content protection
"over-the-top" or "OTT"	audio, video and other media transmitted via the internet without an operator of multiple cable or direct-broadcast satellite television systems controlling or distributing the content
"P2P" or "peer-to-peer protocols"	a decentralized network distribution architecture that partitions tasks or workloads and allows users of the network to share the workload as compared to a centralized server
"Pay TV"	television broadcasting in which viewers pay by subscription to watch a particular channel
"POS system"	point of sale system, or system to capture retail sales activities through a computer system
"PPT"	Pay Per Transaction
"R&D"	research and development
"SaaS"	Software as a Service
"second-screen application"	an application in a computing device, commonly a mobile device such as a tablet or smartphone, that provides an enhanced viewing experience for content on another device, such as a television
"sell-through"	customers can permanently access a piece of video content once purchased
"streaming sites"	a type of hosting site that allows users to stream the content
"subscription-based SaaS"	a SaaS business model where a customer pays a recurring subscription fee to access the software and service in an ongoing basis
"subscription VOD" or "SVOD"	subscription video-on-demand, a business model for video-on-demand service that gives users unlimited access to a wide range of video content for a flat monthly fee
"torrent sites"	sites that contain links or materials to allow a user to download specific content from a peer-to-peer protocol

## GLOSSARY OF TECHNICAL TERMS

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"transaction-based SaaS"	a SaaS business model where a customer pays only when such transactions are rendered and verified by the SaaS service provider
"transaction VOD" or "TVOD"	transactional video-on-demand, a business model for video-on-demand service that charges users a fee to access each individual piece of video content
"URL"	uniform resource locator, a reference to a web resource that specifies its location on a computer network and a mechanism for retrieving it
"VDNA"	a digital fingerprint created by our proprietary digital fingerprinting technology that extracts the key characteristics of a piece of content for identification purposes
"video-on-demand" or "VOD"	video-on-demand, a system that allows users to select and watch video content such as movies and TV shows when they choose to, rather than having to watch at a specific broadcast time



## FORWARD-LOOKING STATEMENTS

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Certain statements in this [REDACTED] are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will”, “expect”, “anticipate”, “estimate”, “believe”, “going forward”, “ought to”, “may”, “seek”, “should”, “intend”, “aim”, “plan”, “projection”, “could”, “vision”, “goals”, “objective”, “target”, “schedules”, and “outlook”) are not historical facts, are forward-looking, and may involve estimates and assumptions and are subject to risks (including the risk factors detailed in this [REDACTED]), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties, and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our future business development, financial condition, and results of operations;
- our business strategies and plans to achieve these strategies;
- our ability to identify and satisfy user demands and preferences;
- our ability to maintain good relationships with business partners;
- general economic, political and business conditions in the industries and markets in which we operate;
- relevant government policies and regulations relating to our industry, business and corporate structure;
- the actions and developments of our competitors; and
- all other risks and uncertainties described in the section in this [REDACTED] under the heading “Risk Factors”.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the [REDACTED], we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as at the date of this [REDACTED]. Any such intentions may change in light of future developments.

All forward-looking statements in this [REDACTED] are expressly qualified by reference to this cautionary statement.

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*Potential investors should consider carefully all of the information set out in this [REDACTED] and, in particular, should consider and evaluate the following risks associated with an investment in relation to the [REDACTED]. Additional risks and uncertainties not presently known to us or that we currently deem immaterial could also materially harm our business, financial condition, results of operations and prospects. The market price of the [REDACTED] could fall significantly due to any of these risks, and you may lose all or part of your investment. We express no view as to the likelihood of occurrence of any of the contingencies described in any of these risks.*

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

**We primarily sell our subscription-based SaaS to a limited number of content owners. If one or more of our major customers scales back the use of our services, our business will be harmed.**

We primarily market and sell our content protection services, of which VideoTracker is our principal product, to a limited number of film studios, TV networks and other content owners in the US. Our top ten VideoTracker customers account for a significant portion of our revenue in our subscription-based SaaS business historically, representing 66.9%, 66.0% and 62.5% of our subscription-based SaaS business revenue for the years ended December 31, 2014, 2015 and 2016, respectively. The revenue from the top five customers represented approximately 49.8%, 44.8% and 39.4% of our total revenue for the year ended December 31, 2014, 2015 and 2016, respectively.

Our customers generally categorize our content protection services in the subscription-based SaaS business as an expense line item and are inclined to reduce their expenses, especially in difficult operating environments. One of our major customers, represented 18.5%, 11.4%, and 10.8% of our total revenue for our subscription-based SaaS business in the years ended December 31, 2014, 2015 and 2016, respectively. This customer reduced its subscription of our VideoTracker services that led to a decrease in monthly subscription fees by 58.2% since November 2016. If our customers face business decline or consolidation and/or decide to scale back on the use of our services or the amount of budget for our services, our business will be materially and adversely affected.

**We do not have long-term commitments from our customers, and most our customers may terminate contracts without cause before completion.**

Our agreements with our SaaS customers are generally short in duration with no long-term commitments for more than one year. These customers contribute a significant portion to our revenue and there is no guarantee that they will continue to engage us upon the end of their contracts. We believe the continued business from these customers is dependent on a number of factors such as market demand, competition and other market conditions. Therefore, we may not be able to replace these agreements at the same price or upon equivalent terms and conditions, which will result in a material adverse effect on our business, revenue and gross profit.

## RISK FACTORS

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We typically enter into periodic contracts with our content owner customers. These agreements are renewed at the end of the terms. Many of our customers can terminate their contracts without cause with advanced notice. We believe there are a number of factors relating to our customers that are outside our control which might lead them to terminate a contract with us, including, but not limited to, dissatisfaction with our services, financial difficulties for the customers, a change in strategic priorities, or significant corporate restructuring. Should any of our top customers terminate their business relationship with us, there is no guarantee that we will be able to secure new business from new customers. There can also be no assurance that any new business would be commercially comparable to our existing business. As such, our financial performance may be adversely affected.

**Our limited operating history makes it difficult to evaluate our current business and future prospects and we may not be able to sustain profitability.**

We launched our first Online PPT platform, the AVOD PPT platform, in 2011 and relaunched it as ReClaim in 2014. We further enhanced the capability with our second Online PPT platform, the TVOD PPT platform, with the acquisition of the Conventional PPT business in 2015. Although the revenue-sharing model used in our Conventional PPT business is well-established in conventional home video distribution, the revenue-sharing model is still a relatively new model for content owners to monetize their content in AVOD and TVOD distribution. Further, the rapidly evolving and competitive nature of our markets limit our insight into emerging market trends and its effect on our financial condition. Our limited operating history and experience selling our services make it difficult to evaluate our current and future business prospects. We generated a profit of US\$1.8 million, US\$2.6 million and US\$2.8 million in the years ended December 31, 2014, 2015 and 2016, respectively. We believe that the profitability of our Conventional PPT business are significantly lower than in our subscription-based SaaS business or Online PPT business. As a result, a decline in our subscription-based SaaS business or Online PPT business would significantly affect our profit. Since we only recently became profitable, we may not be able to sustain profitability in the future.

**Our results of operation depend significantly on the profitability of VideoTracker.**

In the years ended December 31, 2014, 2015 and 2016, our gross profit was US\$9.0 million, US\$13.7 million, and US\$13.3 million, respectively, of which nil, US\$5.1 million, and US\$3.2 million, respectively, was generated from our Conventional PPT business. In the years ended December 31, 2014, 2015, and 2016, our revenue from products other than Conventional PPT was US\$10.1 million, US\$9.8 million and US\$11.8 million, respectively, of which US\$8.6 million, US\$8.0 million and US\$9.0 million or 85.1%, 81.6% and 76.0%, respectively, was generated from VideoTracker. If the VideoTracker business declines materially, whether as a result of technological change, competition or other factors, our business, results of operations and financial condition will be adversely affected.

## RISK FACTORS

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### **Our Conventional PPT business is facing continuous decline and this trend is likely to continue.**

The conventional video distribution market is declining. This decline was due to continuous consumer behavior shifts from physical video rentals to online video streaming options, which led to the closing down of video stores and a closure of a video store chain in the summer of 2016. The average number of video stores served by us has decreased from over 1,800 in 2014 to over 1,200 in 2015 and, over 800 in 2016. We expect the trend of decline in conventional video distribution to continue, which could adversely affect our business, financial condition results of operation and prospects.

In addition, we normally collect payments from the video stores before we pay our content owner customers, reflected in the significantly shorter credit period we allow to video stores, being 2 to 3 weeks on average, compared to the credit term allowed by our content owner customers, being 1 to 3 months. We will then pass the amount we collect from video stores to our content owner customers after deducting our service fees. However, there is no guarantee that we will be able to collect from video stores on a timely basis, or at all. Any significant delay in collection from video stores with a significant amount could materially and adversely affect our financial condition and results of operations in our Conventional PPT business.

### **Our growth prospects will suffer if we are unable to grow our Online PPT platforms.**

According to Frost & Sullivan, online video spending is projected to grow from US\$19.0 billion in 2016 to US\$37.9 billion in 2021 in the US, and from US\$6.4 billion in 2016 to US\$23.0 billion in 2021 in the PRC. However, our Online PPT platforms' growth prospects may be limited if we are not able to successfully implement the revenue-sharing model for internet distribution. If we are unable to acquire claiming rights to video content from content owners or obtain advertising revenue from online video sites, the growth of our AVOD PPT platform will suffer. If the content owners directly licensed their content with online video sites, the growth of our TVOD PPT platform will suffer. Further, we may be unable to obtain licensing rights to a large quantity high-quality video content or develop large enough of a distribution network to form economies of scale. All of these factors may limit our ability to grow our Online PPT platforms, which will affect our results of operation and business prospects.

### **We are subject to potential impairment losses on goodwill of our acquired Conventional PPT business.**

Goodwill was initially measured and recognized for the Conventional PPT business acquired from Rentrak. Goodwill is subsequently tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates, which is our transaction-based SaaS business. The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets of transaction-based SaaS business. If the recoverable amount of the transaction-based SaaS business falls below the carrying amount of the goodwill, we may face impairment charges which would adversely affect our results of operations.

## RISK FACTORS

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### **We may not be able to continue to grow our revenue.**

Our growth prospects should be considered in light of the risks and uncertainties that emerging growth companies with limited operating history in an evolving industry may encounter, including, among others, risks and uncertainties regarding our ability to:

- retain existing customers and attract new customers for our content protection and monetization platforms;
- develop new capabilities to help our content owner customers increase revenue and lower risks amid the entertainment industry's shift into mobile internet distribution;
- maintain stable relationships with our customers, suppliers and distributors;
- anticipate and adapt to changing content production, promotion and consumption industry trends and emerging competition;
- upgrade existing technology and infrastructure and develop new technologies to support increasing computation capacity, improve customer experience, expand functionality and ensure system stability;
- expand to new geographic markets such as China and Europe;
- increase brand awareness through marketing and promotional activities;
- manage our increasing size, including controlling our costs, establish sufficient internal controls, attract and retain talent, as well as maintain and upgrade our network infrastructure and information technology system; and
- maintain profitability, which may be affected by factors including revenue growth, research and development investments and labor costs.

### **If we fail to acquire new customers and retain our existing customers for our content protection and Online PPT platforms, our business and results of operation may be materially and adversely affected.**

The Top Seven Global Film Studios as well as many other film studios, TV networks and content owners are customers for our content protection and Online PPT platforms. In order to achieve sustainable revenue growth, we intend to upsell and cross-sell to our existing content owner customers with expanded content protection product solutions, and new Online PPT services. We must also attract new content owner customers such as emerging studios and maximize the network effect to increase our revenue and profit generating abilities. Our sales cycles for new content owner customers can be lengthy due in part to the need to convince them of the efficacy of our technology in order to displace competitors and persuade the multiple decision-makers involved. In addition, in some instances a new customer may require additional features which may take time to implement. To attract and retain customers, we must consistently deliver best-in-class products and services and generate significant value to our customers, and there can be no assurance that we will be able to do so.

## RISK FACTORS

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**If content owners refuse to license streaming content upon terms acceptable to us, our business could be adversely affected.**

Our ability to provide marketable content to online video sites in our TVOD PPT business depends on film studios, TV networks and other content owners providing us with their content to distribute. The license periods and the terms and conditions of such licenses may vary. If content owners are not willing or are no longer able to license content on terms acceptable to us, our ability to facilitate the distribution of content will be adversely affected. Many content licenses allow the content owners to withdraw content on relatively short notice, which would disrupt our business if we cannot replace such content to the satisfaction of online video sites. As we grow our TVOD PPT business and as competition increases, content owners may charge more for their content. In addition, our video content providers could choose to license content directly to online video sites. All of these factors may adversely affect our business and results of operation.

**Our content protection business depends on continued investment in original content from content owners.**

The need for content protection against unauthorized distribution originates from film studios, TV networks, and other content owners continued investment in producing original content so that they can generate revenue and profit through their authorized distribution channels. If consumers' demand for high-quality original content decreases due to other competing entertainment options, our content owner customers may decrease their investment in producing original content and correspondingly decrease their budget in content protection against unauthorized distribution, which will adversely impact our business.

**Our effective tax rate is subject to change in the future which would impact our results of operation.**

Changes in our effective tax rate may harm our results of operations for example, by increasing income tax expense and reducing our deferred tax assets. A number of factors may increase our future effective tax rates, including:

- the jurisdictions in which profits are determined to be earned and taxed;
- the resolution of issues arising from tax audits with various tax authorities;
- changes in the measurement of our deferred tax assets and liabilities and in deferred tax valuation allowances;
- changes in the value of assets or services transferred or provided from one jurisdiction to another;
- adjustments to income taxes upon finalization of various tax returns;
- increases in expenses not deductible for tax purposes, including write-offs of acquired in-process research and development and impairments of goodwill in connection with acquisitions;
- changes in available tax credits;
- changes in tax laws or the interpretation of such tax laws, and changes in IFRS; and



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- a decision to repatriate non-US earnings for which we have not previously provided for US taxes.

Several of the US federal income tax reform proposals currently being considered include significant reductions in US federal corporate income tax rates. While the impact of US federal income tax reform is uncertain, a reduction in federal corporate income tax rates would reduce the federal income taxes payable by Vobile US in the future and reduce our overall effective tax rate. If US corporate tax rates decrease, our deferred tax assets will have less value, and that decline in value would be recognized as an expense on our income statement. This will reduce the results of our operations.

### **We may fail to grow our operations in non-US markets.**

We have offices in the US, Japan, and Hong Kong, but our business is predominantly in the US. We presently intend to expand our operations in China for our Online PPT business and in Europe for our content protection business. The success of our business depends, in large part, on our ability to operate successfully from geographically disparate locations and to further expand our international operations and sales. Operating in international markets requires significant resources and management attention, and subjects us to different regulatory, economic and political risks than those we face in our primary market in the US. In addition, we face risks in doing business internationally that could expose us to reduced demand for our products, lower prices for our products or other adverse effects on our operating results in those international markets. We recognized revenue of US\$9.5 million, US\$16.9 million, and US\$16.0 million, or 93.4%, 96.1%, and 95.3% of our total revenue, from sales to customers located in the US for the years ended December 31, 2014, 2015 and 2016, respectively. We cannot assure that further international expansion will be successful. Among the risks we believe are most likely to affect us are:

- due to the low cost of labor, lower film production cost and reduced protection for intellectual property rights, demand for certain of our products may be different in China;
- different business practices and legal standards, particularly with respect to intellectual property, which may reduce demand for our products in certain geographical areas;
- difficulties, inefficiencies and costs associated with staffing and managing foreign operations;
- greater difficulty in collecting accounts receivable and longer payment cycles;
- the need for various local approvals to operate in some countries;
- difficulties in entering some foreign markets without larger-scale local operations;
- compliance with local laws and regulations;
- unexpected changes in regulatory requirements;
- possibility of protectionist laws and business practices that favor local companies;

## RISK FACTORS

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- reduced protection for intellectual property rights in some countries;
- adverse tax consequences as a result of repatriating cash;
- the effectiveness of our policies and procedures designed to ensure compliance with the US Foreign Corrupt Practices Act and similar regulations, and foreign laws generally;
- fluctuations in currency exchange rates may adversely affect operating expense and our revenue of outside of the US;
- new and different sources of competition; and
- political and economic instability, and terrorism.

Our failure to manage any of these risks successfully could harm our operations and reduce our revenue.

**We depend on key and highly skilled personnel to operate our business, and if we are unable to retain our current personnel and hire additional personnel, our ability to develop and market our products could be harmed.**

Our future success depends heavily upon the continuing services of our management and other key personnel. In particular, we rely on the expertise, experience and vision of our founder and chief executive officer, Mr. Wang, as well as other members of our senior management team. We also rely on the technical know-how and skills of other key personnel. We operate in locations such as Silicon Valley and Portland where competition for engineering talent is particularly intense. If any of our senior management or key personnel becomes unable or unwilling to continue to contribute their services to us, we may not be able to replace them easily or at all. As a result, our business may be severely disrupted, our financial condition and results of operations may be adversely affected, and we may incur additional expenses to recruit, train and retain key personnel.

Moreover, if any of our management or key personnel joins a competitor or forms a company with a competing line of products, we may lose know-how, trade secrets, key employees, distributors, other third-party business partners, customers, and market share. However, each of our executive officers has entered into an employment agreement with confidentiality and intellectual property provisions.

Our existing operations and future growth require a sizeable and competent workforce. For example, the effective operation of our information technology system and other back office functions depends in part on our professional employees. We also rely on experienced personnel for our online and offline businesses in technology, operation, partnership and other functions to anticipate and effectively respond to changing consumer preferences and market trends. In order to retain talent, we may need to offer our employees higher compensation, better training, and more attractive career trajectories and benefits, which may be costly and burdensome. We cannot assure that we will be able to attract or retain a qualified workforce necessary to support our future growth. We may also fail to manage our relationship with our employees, and any labor-related disputes with our employees may divert management and financial resources, adversely impact staff morale, reduce our productivity, or harm our reputation and future recruiting efforts. In addition, our ability to train and integrate new employees into our operations may not meet the increasing demands of our business. Any of the above issues related to our workforce may materially adversely affect our operations and future growth.



## RISK FACTORS

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**Our industry is subject to rapidly changing technology and customer demands. Our failure to develop new competitive technology or meet customer demands will have an adverse impact on our business and operations.**

Our industry has and will continue to be characterized by rapid technological changes, which could make some or all of our services obsolete. Our future success depends on our ability to keep pace with the evolving needs of our customers and to pursue new market opportunities that develop as a result of technological advances. For example, the development of mobile and internet video distribution has shifted the entertainment industry away from content distribution through scarce TV broadcast slots and physical shelf-space to more freely accessible Internet and mobile platforms. Failure to keep our existing services up with the speed of industry and technological changes will materially and adversely affect our results of operations.

In addition, content infringers are constantly evolving their techniques to avoid detection by services such as ours. They do so for example, by both manipulating content and by using new distribution methods. Any failure by us to effectively adapt to new technologies in a timely manner could affect the utility of our offerings and adversely impact our reputation with our customers.

However, development activities are inherently uncertain, and our expenditures on research and development may not generate corresponding benefits. We may not be able to timely upgrade our content identification and web scanning engines or our software architecture in an efficient and cost-effective manner, or at all. New technologies in programming or operations could render our development technologies, platforms or services obsolete, thereby limiting our ability to recover related product development costs, which could result in a decline in our revenues and market share.

**Our content protection customers may face a public backlash from mistaken identification of infringement by our content protection service.**

Occasionally, our content owner customers may face public backlash over enforcing their intellectual property rights. We may make erroneous "false positive" matches when searching for infringement due to doctrines such as "Fair Use" in the US. Mistaken matches or public backlash directed at our content owner customers may harm our relationships with our customers or make them more reticent to use our services, result in potential legal disputes, any of which could materially and adversely impact our business, financial position and results of operations.

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**We face intense competition, which is likely to intensify further as existing competitors devote additional resources to, and new participants enter, our markets.**

The markets in which we operate are extremely competitive. We may not be able to compete successfully against current or potential competitors, which may include our current or potential customers as they seek to internally develop products or services competitive with ours. Several of our competitors have long operating histories, large customer bases, strong brand recognition and significant financial, marketing and other resources. They may secure better terms from suppliers, adopt more aggressive pricing and devote more resources to product development, technology, infrastructure, content acquisitions and marketing. New entrants may enter the market or existing providers may adjust their services with unique offerings or approaches to protect and monetize video content. Companies also may enter into business combinations or alliances that strengthen their competitive positions. If we are unable to successfully or profitably compete with current and new competitors, our business will be adversely affected, and we may not be able to increase or maintain our market share, revenues or profitability.

**We have experienced a period of growth and expansion that has placed, and continues to place, significant strain on our management, infrastructure and resources.**

Our growth over the past three years may not be sustainable or achieved in the future. To manage our growth and attain and maintain profitability, we anticipate that we will need to upgrade and implement new operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems. We will also need to further expand, train, manage and motivate our workforce and manage our relationships with customers, suppliers and online video sites. All of these endeavors involve risks and will require substantial management resources, efforts, and skills and other significant expenditures. If we do not effectively manage our growth or implement our future business strategies effectively, our business and results of operations will be materially and adversely affected.

**We may not maintain adequate property and business insurance coverage.**

We may not maintain adequate insurance for our properties or business. In particular, we do not maintain insurance policies covering losses related to our information systems, and we do not have business interruption insurance. Any property damage, business disruption, litigation or natural disaster might result in substantial costs and diversion of our resources.

**We may be exposed to infringement or misappropriation claims by third parties, which, if successful, could require us to pay significant damage awards.**

We cannot guarantee that our software platform products do not or will not infringe upon patents, copyrights or other intellectual property rights held by third parties. We may be subject to legal proceedings and claims from time to time alleging infringement of intellectual property rights. Any such claims, regardless of merit, may involve us in time-consuming and costly litigation, divert significant management and staff resources, require us to enter into expensive royalty or licensing arrangements, prevent us from using important technologies, business methodologies, or other intellectual property, result in monetary liability, prevent us from distributing our products due to the use of injunctions or other legal means, or otherwise disrupt our operations. As of the Latest Practicable Date, our Directors are not aware of any claims or imminent claims against us alleging infringement of proprietary intellectual property rights.

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We expect the likelihood of such claims may increase, particularly in our Online PPT business, as the number of competitors in our markets grows and as related patents, copyrights and trademarks are registered by such competitors. In addition, as we are expanding our business into international markets, we may be exposed to infringement claims in foreign jurisdictions with more stringent intellectual property laws than those in the US. These foreign intellectual property laws could require us to pay significant compensatory and punitive damage awards.

**We may experience unauthorized use of our intellectual property by third parties, and may incur significant expenses to protect our intellectual property rights.**

We regard our copyrights, trademarks, trade secrets, patents and other intellectual property as critical to our business. We rely on trademark, patent and copyright law, trade secret protection and confidentiality agreements with our employees, customers and business partners to protect our intellectual property rights. However, our intellectual property is subject to various forms of potential theft and misappropriation. For example, third parties may copy and distribute content from our websites without authorization, or use misleadingly similar internet domain names to divert our users to their sites, or develop similar or superior technology independently by designing around our patents. Preventing unauthorized use of our intellectual property is difficult, time-consuming, expensive, and yield limited and uncertain results. Misappropriation of our content, trademarks and other intellectual property could divert significant business to our competitors, damage our brand names and reputation, and may require us to initiate costly litigation. Overall, unauthorized use of our intellectual property may divert management resources from the operation of our businesses and adversely affect our business, financial condition and results of operations.

**We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.**

Previously, we have funded our operations through equity financings and net operating cash flow from sales of our products and services. In the future, we may require additional capital to fund our ongoing operations, respond to business opportunities, challenges, acquisitions or unforeseen circumstance. We may decide to engage in equity or debt financings or enter into credit facilities, but we may not be able to timely secure additional debt or equity financing on favorable terms or at all. Any debt financing obtained by us in the future could also involve restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions.

If we raise additional funds through issuances of equity, convertible debt securities or other securities convertible into equity, our existing shareholders could suffer significant dilution in their percentage ownership of our company, and any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our Shares. If we are unable to obtain adequate financing on terms satisfactory to us when we require it, our ability to continue to grow or respond to business challenges could be significantly limited.

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**We operate our business primarily in the US, which as a result of recent political changes, could lead to regulatory, legal and other reforms that could adversely impact our business.**

Our business is predominantly based in the US and most of our employees are located in the US. We have no operations in Europe and few in Asia. While we anticipate expansion outside of the US, we may not be able to do so, or it may take us longer than we anticipate. In the meanwhile, we are subject to risks associated with a business operating primarily in the US. Certain factors, including potential changes resulting from the recent presidential and congressional elections in the US, could adversely impact on our business such as changes in regulatory, legal or economic conditions; disruptions of capital and trading markets; restrictions on the transfer or repatriation of funds and foreign investments; trade protection measures including export duties, quotas, customs duties and tariffs; geopolitical turmoil, including terrorism, war or political coups; and changes in tax laws.

**Our business could suffer if the jurisdictions in which we operate or plan to expand into change the way in which they regulate user-generated content.**

Our business, including our ability to operate and expand internationally, could be adversely affected if legislation is adopted or implemented in a manner that is inconsistent with our current business practices or requires changes to our business. For example, US laws related to the liability of online service providers for activities of their users and other third parties are currently being challenged by a number of claims based on invasion of privacy, unfair competition, copyright and trademark infringement and other theories based on the nature and content of the materials searched, the advertisements posted or the video content provided by users. If immunities currently afforded to websites that publish user-generated content are increased or changed, content hosts may become overly conservative and traffic to user-generated content sites may decrease. Thus, we may lose market share for our content protection services and our business and operating results could suffer.

**Our technology infrastructure may experience unexpected system failure, interruption, inadequacy, or security breaches.**

Our growing operations will place increasing pressure on our server and network capacities as we launch more platforms and expand our customer base. Our technology infrastructure may encounter disruptions or other outages caused by defects in our technologies and systems, such as software malfunctions or network overload. In addition, our business depends on the performance and reliability of computing infrastructure that includes two physical data centers on the west coast of the US and virtual machines hosted in the cloud infrastructure. These physical data centers are vulnerable to damage from fires, floods, earthquakes, power loss and telecommunication failures. Any network interruption that causes interruptions to our services or failure to maintain the network and server functionality in a timely manner could adversely affect the performance of our SaaS platforms and reduce our customers' satisfaction, which in turn, will adversely affect our brand reputation, customer base and results of operation.

Furthermore, any security breach caused by hacking, viruses, and harm or corruption of data, software, hardware or other computer equipment could have a material and adverse effect on our business, financial condition and results of operations.

## RISK FACTORS

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**We have engaged in acquisitions in the past and may continue to expand through acquisitions of, or investments in, other companies, each of which may divert our management's attention, or use resources that are necessary to operate our business.**

In 2015, we purchased our Conventional PPT business from Rentrak, which brought us new customer and supplier relationships, and additional software platforms to broaden our product offerings. In the future, we may seek to acquire or invest in businesses, products or technologies that we believe will complement or expand our business, enhance our technical capabilities or otherwise offer growth opportunities. We may be unable to complete acquisitions at all or on commercially reasonable terms. Even if we complete acquisitions, such acquisitions can create risks such as:

- difficulties in assimilating acquired personnel, operations and technologies;
- difficulties realizing synergies expected in connection with an acquisition, particularly with acquisitions of companies with large and widespread operations, complex products or that operate in markets in which we historically have had limited experience;
- unanticipated costs or liabilities, including possible litigation, associated with the acquisition;
- incurrence of acquisition-related costs;
- diversion of management's attention from other business concerns;
- dilutive issuances of equity securities, decline in our share price or the incurrence of additional debt;
- use of resources that are needed in other parts of our business;
- use of substantial portions of our available cash to consummate an acquisition; and
- acquired business fails to meet our expectations.

Any of these factors could adversely affect our results of operation and limit our future growth. Further, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill, which must be assessed for impairment at least annually. If such acquisitions do not yield expected returns, we may be required to incur impairment loss based on this impairment assessment process, which could harm our results of operations.

**If we fail to maintain and enhance our brands in a cost-effective manner, our business, results of operations and prospects may be materially and adversely affected.**

We believe that maintaining and enhancing the recognition our brands is of significant importance to the success of our business in acquiring new customers and upselling services to existing customers. Since we operate in a highly dynamic entertainment market, brand maintenance and enhancement directly affect our ability to maintain our market position. We must continuously exercise strict quality control of our software platforms to ensure that our brand reputation is not tarnished by sub-standard products or services, such as incorrectly identifying infringement. If we are unable to maintain and enhance our brand recognition in a cost-effective manner, our business, results of operations and prospects may be materially and adversely affected.

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**We may not be able to successfully implement our corporate strategies.**

We are pursuing a number of corporate strategies, including the expansion of our platform offerings and the expansion of our business into certain overseas markets. Some of these strategies relate to new services or products for which there are no established markets in unexplored geographic regions for which we may lack experience and expertise. We cannot guarantee that we will be able to successfully expand into new geographic markets, deliver new products or services on a commercially viable basis and in a timely manner, or at all. If we are unable to successfully implement our corporate strategies, our revenue and profitability will not grow as we expect, and our business, financial condition and results of operations may be materially and adversely affected.

**Economic and political policies of the PRC Government could affect our business in the future.**

As we expand our business to the PRC, our results of operations and prospects will be subject to economic, political and legal developments in the PRC. The PRC's economy has traditionally been centrally planned, with a series of economic plans promulgated and implemented by the PRC government. Over the past two decades, the PRC has been reforming the economic and political systems to be more market-oriented, implementing changes in monetary policies, interest rate policies, tax policies and industry specific regulations. Many of the reforms are unprecedented and are expected to be refined, while political, economic and social factors may also be readjusted. The economic policies or political measures adopted by the PRC government could have an adverse effect on our business, operating results and financial condition.

**The PRC's legal system has inherent uncertainties that could adversely affect our ability to protect our financial and intellectual property rights as we establish our business in the PRC.**

As we attempt to develop our business in the PRC, we will be subject to, and reliant upon, the laws of the PRC. The PRC's legal system is primarily based on written statutes and prior legal decisions have limited precedential value. Since 1979, the PRC legislative bodies have promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. Since then, there has been a significant progress in legislation towards giving increasing protection to foreign investors and intellectual property rights, including in relation to the protection of online video content. Despite significant improvements, the enforcement of these existing laws and regulations may be uncertain, and the interpretation of these laws and regulations may change from time to time. Any such uncertainty or change could have a material and adverse impact on our business and results of operation.



## RISK FACTORS

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### **Registration of our logo as a trademark is pending approval.**

As of the Latest Practical Date, we are in the process of registering our current logo in Hong Kong. There is no assurance, however, that we will not receive an objection to the pending trademark application. For more details of the pending trademark application, see the table set forth in “Statutory and General Information – Intellectual property rights of our Group” in Appendix IV to this [REDACTED].

Our Group’s brand names and intellectual property rights are important assets. As of the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights, and we believe that we have taken all reasonable measures to prevent any infringement of any third-party intellectual property rights in relation to the use of our logo. Any claim in relation to the use of our logo by our Group in the future, regardless of its merits, may give rise to increased trademark prosecution and potential litigation costs.

### **Our operations could be adversely affected by acts of God, war, terrorist attacks and contagious diseases**

Our business is affected by the general economic conditions in the US and other parts of the world. Acts of God such as earthquakes and tsunamis, or outbreaks of highly-contagious diseases are beyond our control and could adversely affect the economy, infrastructure and livelihood of people around the world. Our business and results of operations could be adversely affected if such acts of God and/or outbreaks occur or intensify. Also, there can be no assurance that any war, terrorist attack or other hostilities in any part of the world, potential, threatened or otherwise, will not, directly or indirectly, have an adverse effect on our business, results of operations and financial condition.

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## RISK FACTORS

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### **RISKS RELATING TO THE [REDACTED] AND OUR SHARES**

**There has been no prior public market for the Shares, and the market price, liquidity and trading volume of the Shares may be volatile.**

Prior to the [REDACTED], there has been no public market for the Shares. The [REDACTED] for the Shares will be the result of negotiations with the [REDACTED], and may differ from the market prices for the Shares after the [REDACTED]. We have applied to the [REDACTED] for the [REDACTED] of, and permission to deal in, the Shares. However, there is no assurance that the [REDACTED] will result in the development of an active and liquid public trading market for the Shares and the market price, liquidity and trading volume of the Shares may be volatile or limited. We cannot guarantee that shareholders will be able to sell their Shares or sell their Shares at prices equal to or greater than the price paid for their Shares in the [REDACTED]. Factors that may affect the volume and price at which the Shares will be traded include, among other things, variations in our sales, earnings, cash flows and costs, announcements of new investments, and changes in laws and regulations.

**If securities analysts do not publish research or reports about our business or if they downgrade our Shares, the price of our Shares could decline.**

The trading market for our Shares will rely in part on the research and reports that industry or financial analysts publish about us or our business. If few analysts commence coverage of our company, the price and trading volume of our Shares could suffer. If analysts publish unfavorable research about our business or their coverage downgrades our Shares, our share price would likely decline rapidly. If one or more of these analysts cease continued coverage of our company, we could lose visibility in the market, which in turn could cause our Shares price to decline.

**You will incur immediate and substantial dilution and may experience further dilution in the future.**

As the [REDACTED] of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the [REDACTED], purchasers of our Shares in the [REDACTED] will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the [REDACTED] may experience further dilution in their shareholding percentage.

**Shareholders' interest may be diluted in the future if additional Shares are issued under the Post-[REDACTED] Share Option Scheme or upon exercise of Pre-[REDACTED] Options.**

We have adopted the Pre-[REDACTED] Share Option Scheme under which Pre-[REDACTED] Options to subscribe for an aggregate of 4,000,000 Shares (to be adjusted to an aggregate of [REDACTED] Shares upon the [REDACTED] becoming effective, representing approximately [REDACTED]% of the total issued share capital of our Company immediately upon completion of the [REDACTED] and [REDACTED] but taking no account of any Shares that may be issued pursuant to the exercise of the [REDACTED] or the options which have been granted under the Pre-[REDACTED] Share Option Scheme or may be granted under the Post-[REDACTED] Share Option Scheme) at an exercise price of US\$0.50 to US\$0.55 (equivalent to approximately HK\$3.8965 to HK\$4.2861) per Share (to be adjusted to US\$[REDACTED] to US\$[REDACTED] (equivalent to approximately HK\$[REDACTED] to HK\$[REDACTED]) per Share upon the [REDACTED] becoming effective, representing a discount of approximately [REDACTED]% to [REDACTED]% to an [REDACTED] of



## RISK FACTORS

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HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]). The ability to grant further options under the Pre-[REDACTED] Share Option Scheme will cease upon the [REDACTED], however, the previously granted Pre-[REDACTED] Options will remain outstanding. We have also conditionally adopted the Post-[REDACTED] Share Option Scheme to be effective upon [REDACTED] under which options to subscribe for our Shares may be granted to employees and consultants, including officers and Directors. Options may remain outstanding for up to ten years. Options would be exercised presumably only when the closing price of the Shares on the Stock Exchange is higher than the option exercise price. Exercise of Pre-[REDACTED] Options or of options granted under the Post-[REDACTED] Share Option Scheme after the [REDACTED] will result in dilution to our Shareholders and will accordingly result in reduced earnings per Share and net asset value per Share.

### **Future sales of Shares by existing shareholders could cause our Share price to decline.**

Future sales of a substantial number of the Shares by our current shareholders, or the possibility of such sales, could adversely impact the market price of the Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. Shares held by the existing shareholders are subject to certain lock-up undertakings after the date on which trading in the Shares commences on the Stock Exchange, details of which are set out in the sections headed “History, Reorganization and Corporate Structure” and “[REDACTED]” in this [REDACTED].

### **Our revenue and operating results will fluctuate from period to period, which could cause the market price of your Shares to decline.**

Our revenue and operating results are difficult to predict, have in the past fluctuated, and may in the future fluctuate from period to period. It is possible that our operating results in some periods will be below market expectations. This would likely cause the market price of your Shares to decline. Our operating results in any given period may be affected by a number of factors, including:

- the loss of our content owner customers and video stores in our Conventional PPT business;
- the potential long-term decline in our Conventional PPT business;
- the uncertain, uneven or lower than expected growth in our Online PPT businesses;
- the potential goodwill impairment;
- the uncertain demand in our primary markets for our products;
- decreases in the average sales prices of our products and services;
- changes in consumer consumption patterns that make our products and services undesirable or obsolete;
- our ability to successfully develop, introduce and sell new or enhanced services;
- the timing of new product launches by us or by our competitors;
- costs associated with expansions into non-US markets;

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## RISK FACTORS

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- changes in business and economic conditions that could affect consumer confidence; and
- fluctuations in our effective tax rate.

We base our planned operating expenses in part on our expectations of future revenue. We have limited historical financial data from which to predict future sales for our products and services. As a result, it may be difficult for us to forecast our future revenue and budget our operating expenses accordingly. All of these factors could have an adverse impact on our business and results of operation, which in turn affects our stock price.

**Investors may face difficulties in protecting their interests because we are registered under Cayman Islands law, which may provide less protection to minority shareholders than the laws of Hong Kong and other jurisdictions.**

We are a Cayman Islands exempted company registered under the Companies Law and substantially all of our assets are located outside of Hong Kong. Our corporate affairs are governed by our Memorandum and Articles of Association and by the Companies Law and common law of the Cayman Islands. Common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding authority on a Cayman Islands court. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders, including investors in the Shares, are largely governed by the common law of the Cayman Islands and may have less protection than under the laws of Hong Kong or other jurisdictions. For more details, see the section headed “Summary of the Constitution of the Company and Cayman Islands Companies Law” in Appendix III in this [REDACTED].

**The costs of the Pre-[REDACTED] Options and options which may be granted under the Post-[REDACTED] Share Option Scheme upon [REDACTED] may adversely affect our results of operations.**

We have granted Pre-[REDACTED] Options to subscribe for an aggregate of 4,000,000 Shares (to be adjusted to an aggregate of [REDACTED] Shares upon the [REDACTED] becoming effective, representing approximately [REDACTED]% of the total issued share capital of our Company immediately upon completion of the [REDACTED] and [REDACTED] but taking no account of any Shares that may be issued pursuant to the exercise of the [REDACTED] or the options which have been granted under the Pre-[REDACTED] Share Option Scheme or may be granted under the Post-[REDACTED] Share Option Scheme) at an exercise price of US\$0.50 to US\$0.55 (equivalent to approximately HK\$3.8965 to HK\$4.2861) per Share (to be adjusted to US\$[REDACTED] to US\$[REDACTED] (equivalent to approximately HK\$[REDACTED] to HK\$[REDACTED]) per Share upon the [REDACTED] becoming effective, representing a discount of approximately [REDACTED]% to [REDACTED]% to an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]). We have also conditionally adopted the Post-[REDACTED] Share Option Scheme pursuant to which options to subscribe for our Shares may be granted upon [REDACTED]. The fair value of such options on the date of grant is charged as share-based compensation throughout the vesting period and such charges will result in a lesser future net profit. For more details, see the paragraph headed “Share-based payments” in Note 2.4 in the Accountants’ Report set out in Appendix I to this [REDACTED].

## RISK FACTORS

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**Government official facts and statistics included in this [REDACTED] may not be accurate and precise.**

Statistics, industry data and other information relating to the economy and certain industries contained in this [REDACTED] have been derived from various official government publications and research reports. Due to possible flawed collection methods, discrepancies between published information, different market practices or other problems, these statistics, industry data and other information derived from official government sources might be inaccurate or might not be comparable to statistics produced from other sources. Neither we nor any of our respective affiliates or advisers, nor the Sole Sponsor, have prepared or independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. We make no representation as to the accuracy or completeness of such information. In all cases, potential investors should give careful consideration as to how much weight or importance to place on such information from governmental sources.

**We strongly caution you to read the entire [REDACTED] carefully and not to place reliance on any information disseminated through other media sources relating to us and/or the [REDACTED], as such information may not be consistent with the information contained in this [REDACTED].**

Prior to the publication of this [REDACTED], there may be press and media coverage regarding the [REDACTED] that contains certain financial information, projections, valuations and other information about us. We wish to emphasize to potential investors that we do not accept any responsibility for the dissemination of any such information which are not sourced from or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information. To the extent that such information is inconsistent with, or conflicts with, the information contained in this [REDACTED], we disclaim it. Accordingly, prospective investors are cautioned to make their investment decisions based solely on the information contained in this [REDACTED].

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## WAIVER FROM STRICT COMPLIANCE WITH THE [REDACTED]

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In preparation for the [REDACTED], our Company has sought the following waiver from strict compliance with the relevant provisions of the [REDACTED]:

### MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the [REDACTED], our Company must have a sufficient management presence in Hong Kong. This will normally mean that at least two of the executive Directors must be ordinarily resident in Hong Kong. Our Company's headquarters, from which our principal business and operations are managed and conducted, is located in Santa Clara, California, United States, and substantially all of our executive Directors ordinarily reside in the United States. Therefore, we do not, and in the foreseeable future will not, have a sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the [REDACTED].

As a result, we have applied to the Stock Exchange for[, and the Stock Exchange has granted,] a waiver from strict compliance with Rule 8.12 of the [REDACTED], on the following conditions to ensure that regular and effective communication is maintained between the Stock Exchange and our Company:

#### 1. Authorized Representatives

We have appointed two authorized representatives pursuant to Rule 3.05 of the [REDACTED], who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives to be appointed are Mr. WONG Wai Kwan and Mr. HO Sai Hong Vincent (the "**Authorized Representative(s)**"). The Authorized Representatives will provide their usual contact details to the Stock Exchange and will be readily contactable by telephone, facsimile and email, and will be available to meet the Stock Exchange to discuss any matters within a reasonable time frame.

#### 2. Directors

As and when the Stock Exchange wishes to contact our Directors on any matters, each of the Authorized Representatives has the means to contact all of our Directors (including the independent non-executive Directors) promptly at all times. We will implement the following measures: (a) each Director must provide his mobile phone numbers, office phone numbers, email addresses and facsimile numbers to the Authorized Representatives; and (b) in the event that a Director expects to travel and/or otherwise be out of office, he will provide the phone number of the place of his accommodation to the Authorized Representatives.

We have provided the mobile phone numbers, office phone numbers, email addresses and facsimile numbers of each Director to the Stock Exchange.

Meetings with the Stock Exchange and our Directors can be arranged through the Authorized Representatives, or directly with our Directors with reasonable notice. Each of the Directors who is not ordinarily resident in Hong Kong holds valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time.

## **WAIVER FROM STRICT COMPLIANCE WITH THE [REDACTED]**

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### **3. [REDACTED]**

We have appointed [REDACTED] as our [REDACTED] pursuant to Rule 3A.19 of the [REDACTED], who will act as our additional principal channel of communication with the Stock Exchange for a period commencing on the [REDACTED] until the date on which our Company complies with Rule 13.46 of the [REDACTED] in respect of our financial results for the first full financial year commencing after the [REDACTED].

[REDACTED] will have access to the Authorized Representatives, our Directors and other senior management staff of our Company to ensure that it is in a position to provide prompt responses to any enquiries or requests from the Stock Exchange.

**INFORMATION ABOUT THIS [REDACTED] AND THE [REDACTED]**

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**[REDACTED]**

**INFORMATION ABOUT THIS [REDACTED] AND THE [REDACTED]**

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**[REDACTED]**

**INFORMATION ABOUT THIS [REDACTED] AND THE [REDACTED]**

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**[REDACTED]**



**INFORMATION ABOUT THIS [REDACTED] AND THE [REDACTED]**

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**[REDACTED]**

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## CORPORATE INFORMATION

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<b>Registered office in the Cayman Islands</b>	P.O. Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands.
<b>Headquarters and principal place of business in the US</b>	2880 Lakeside Drive, Suite 360, Santa Clara, CA 95054, United States.
<b>Principal place of business in Hong Kong</b>	Room 2001, 20/F, 118 Connaught Road West, Sai Ying Pun, Hong Kong.
<b>Company's website</b>	<u><a href="http://www.vobileinc.com">www.vobileinc.com</a></u> <i>(A copy of this [REDACTED] is available on our website. Except for the information contained in this [REDACTED], none of the other information on our website forms part of this [REDACTED].)</i>
<b>Company Secretary</b>	Mr. HO Sai Hong Vincent (何世康)
<b>Authorized representatives</b>	Mr. HO Sai Hong Vincent (何世康) Flat C, 18/F, Block 5, City Point, 48 Wing Shun Street, Tsuen Wan, New Territories, Hong Kong.  Mr. WONG Wai Kwan (王偉軍) Flat C, 3/F, Tower 3, Hoi San Mansion, Riviera Gardens, 1-7 Yi Hong Street, Tsuen Wan, New Territories, Hong Kong.
<b>Audit Committee</b>	Mr. CHAN King Man Kevin (陳敬文) <i>(Chairperson)</i> Mr. James Alan CHIDDIX Mr. Charles Eric EESLEY

## CORPORATE INFORMATION

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### Remuneration Committee

Mr. James Alan CHIDDIX (*Chairperson*)  
Mr. Vernon Edward ALTMAN  
Mr. CHAN King Man Kevin (陳敬文)  
Mr. Charles Eric EESLEY  
Mr. J David WARGO

### Nomination Committee

Mr. Yangbin Bernard WANG (*Chairperson*)  
Mr. James Alan CHIDDIX  
Mr. Charles Eric EESLEY

[REDACTED]

### Principal bankers

Silicon Valley Bank  
3003 Tasman Drive,  
Santa Clara, CA 95054,  
United States.

The Hong Kong and Shanghai Banking  
Corporation Limited  
1 Queen’s Road Central,  
Hong Kong.

## DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

### DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Yangbin Bernard WANG	2 Heather Drive, Atherton, CA 94027-2006, United States.	American
Mr. Michael Paul WITTE	818 Garland Drive, Palo Alto, CA 94303, United States.	American
Mr. ZHU Xianming (朱賢銘)	1000 Continentals Way, Apartment 211, Belmont, CA 94002, United States.	Chinese
<i>Non-executive Directors</i>		
Mr. Vernon Edward ALTMAN	928 Laurel Glen Drive, Palo Alto, CA 94304, United States.	American
Mr. J David WARGO	1 Central Park West, Apartment 46D, New York, NY 10023, United States.	American
Mr. WONG Wai Kwan (王偉軍)	Flat C, 3/F, Tower 3, Hoi San Mansion, Riviera Gardens, 1-7 Yi Hong Street, Tsuen Wan, New Territories, Hong Kong.	Chinese
<i>Independent Non-executive Directors</i>		
Mr. CHAN King Man Kevin (陳敬文)	602, Block 67, 58 Tong Chuan Road, Shanghai 200333, PRC.	Chinese
Mr. James Alan CHIDDIX	30504 Upper Bear Creek Road, Evergreen, CO 80439-7742, United States.	American
Mr. Charles Eric EESLEY	56 Pearce Mitchell Place, Stanford, CA 94305, United States.	American

Further information is disclosed in the section headed “Directors and Senior Management” section in this [REDACTED].

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**PARTIES INVOLVED IN THE [REDACTED]**

**Sole Sponsor**

**CITIC CLSA Capital Markets Limited**  
18/F, One Pacific Place,  
88 Queensway,  
Hong Kong.

[REDACTED]

**Legal advisers to the Company**

*as to Hong Kong law:*

**Simmons & Simmons**  
13/F, One Pacific Place,  
88 Queensway,  
Hong Kong.

*as to US law:*

**Pillsbury Winthrop Shaw Pittman LLP**  
2550 Hanover Street,  
Palo Alto, CA 94304-1115,  
United States.

*as to Cayman Islands law:*

**Travers Thorp Alberga**  
1205A, The Centrium,  
60 Wyndham Street, Central,  
Hong Kong.

*as to Japanese law:*

**Mori Hamada & Matsumoto**  
16th Floor, Marunouchi Park Building,  
2-6-1 Marunouchi,  
Chiyoda-ku, Tokyo 100-8222,  
Japan.

*as to PRC law:*

**Beijing Guantao Law Firm Hangzhou Office**  
18/F, South Bldg, Anno Domini Mansion,  
No.8, Qiushi Road,  
Xihu District,  
Hangzhou, Zhejiang,  
PRC.

**Legal advisers to the Sole Sponsor  
and the [REDACTED]**

*as to Hong Kong and US laws:*

**Kirkland & Ellis**  
26/F, Gloucester Tower,  
The Landmark,  
15 Queen's Road Central,  
Hong Kong.

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**Reporting Accountants**

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

**Industry Consultant**

**Frost & Sullivan International Limited**  
Unit 08, 26/F,  
9 Queen's Road Central,  
Hong Kong.

[REDACTED]

## INDUSTRY OVERVIEW

*The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor or any of our or their respective directors, officers or representatives or any other person neither involved in the [REDACTED] nor is any representation given as to its accuracy or completeness. The information and statistics contained in this section may not be consistent with other information and statistics compiled within or outside of China.*

### REPORT COMMISSIONED FROM FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of and to prepare a report on, the online video protection, monetization and measurement industry in the US and China for the period from 2012 to 2021. The report prepared by Frost & Sullivan for us is referred to in this [REDACTED] as the “Frost & Sullivan Report.” We paid Frost & Sullivan a fee of US\$100,000, which we believe reflects market rates for reports of this type. Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. It conducts industry research among other services. Frost & Sullivan has been covering the Chinese market from its offices in the PRC since the 1990s. Its industry coverage in the PRC includes agriculture, chemicals, materials and food, among others.

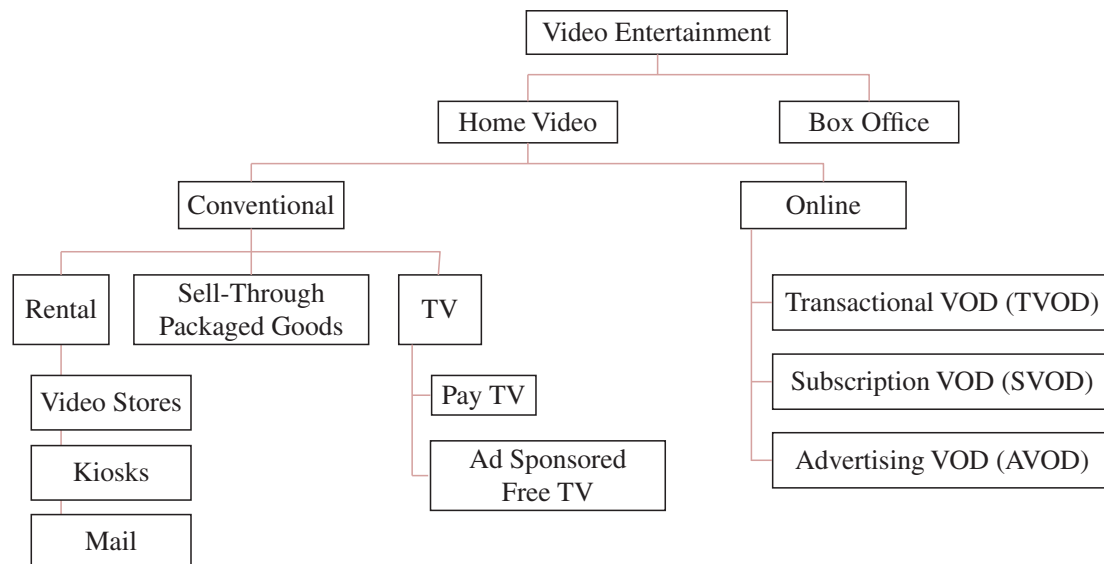
We have included certain information from the Frost & Sullivan Report in this [REDACTED] because we believe this information facilitates an understanding to prospective investors of the OVCP, video monetization and video measurement industries for the main countries and regions where we currently have business operations or those targeted ones for our future business expansion. The Frost & Sullivan Report includes information on the OVCP, video monetization and video measurement industry in global, US and China markets as well as other economic data, which have been quoted in the [REDACTED]. Frost & Sullivan’s independent research consists of both primary and secondary research obtained from various sources in respect of the OVCP, video monetization and video measurement industries in the global, US and China markets. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Our Directors believe that the sources of this information are appropriate and we have taken reasonable care in extracting and reproducing this information. Our Directors have no reason to believe that this information is false or misleading in any material respect of that any fact has been omitted that would render such information false or misleading in any material respect.

## INDUSTRY OVERVIEW

### OVERVIEW OF VIDEO ENTERTAINMENT MARKET

#### Definition and Classifications

The video entertainment market is comprised of pre-recorded or streaming video-based entertainment content, which is defined as home video and box office based on its viewing location. Conventional home video is distributed to customers via traditional channels such as TV and physical rental, and sell-through packaged goods, such as DVD and Blu-Ray. Online video refers to digital video content distributed through various online video platforms by ways of transactional video-on-demand (TVOD), subscription video-on-demand (SVOD), and advertising video-on-demand (AVOD). iTunes, Vimeo, and Vudu are famous TVOD platforms while Netflix, Amazon Prime, and Hulu Plus are featured with SVOD model. YouTube and Dailymotion are representative AVOD platforms. Normally, premium content videos is available from TVOD models first and then launched through SVOD or AVOD.



Source: Frost & Sullivan Report

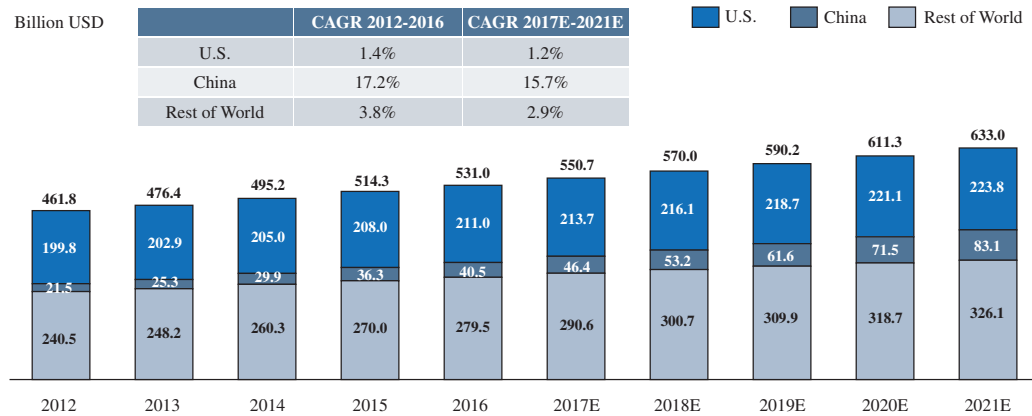
#### Market Overview

With continuous development and introduction of quality video entertainment products, the global video entertainment market size in terms of revenue grew consistently from US\$461.8 billion to US\$531.0 billion at a CAGR of 3.6% between 2012 and 2016, compared to 1.4% in the US and 17.2% in China over the same period, according to the Frost & Sullivan Report. The rapid growth of video entertainment market in China has been driven by steady economic growth, increasing internet penetration and optimized distribution mechanism of the video entertainment industry. Frost & Sullivan estimates that the video entertainment market in China will grow from US\$46.4 billion in 2017 to US\$83.1 billion in 2021 at a CAGR of 15.7%, compared to 3.5% globally and 1.2% in the US during the same period.



## INDUSTRY OVERVIEW

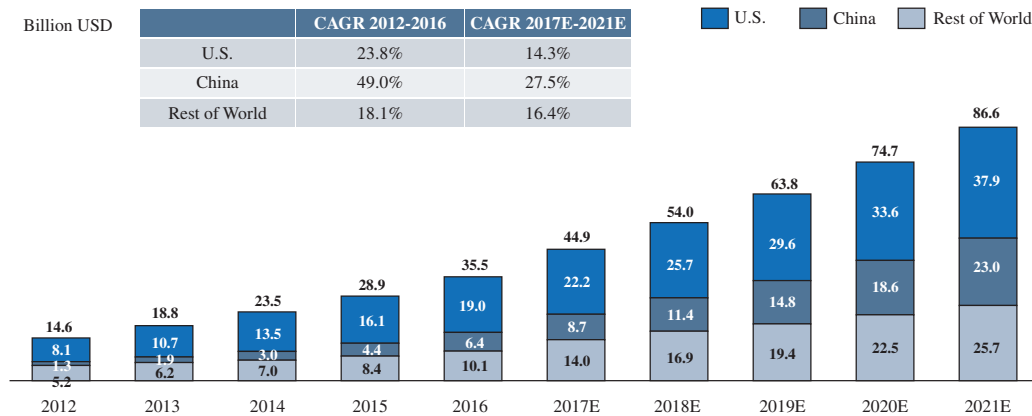
### Total Video Entertainment Market Size by Revenue (Global), 2012-2021E



Source: Frost & Sullivan Report

The advancement of video distribution technology and content digitization acts as a powerful force driving the development of the online video entertainment market. The evolving online video entertainment industry has provided people with easier access and more flexible pricing models, which has significantly helped to drive the market development as well as consumer expenditures. According to the Frost & Sullivan Report, the global online video entertainment market grew from US\$14.6 billion in 2012 to US\$35.5 billion in 2016, representing a CAGR of 24.9% between 2012 and 2016, and will reach US\$86.6 billion in 2021 at a forecast CAGR of 17.8% between 2017 and 2021. In comparison, Frost & Sullivan expects the online video entertainment market in China will achieve a higher CAGR of 27.5% between 2017 and 2021 compared to 14.3% CAGR in the US during the same period.

### Total Online Video Entertainment Market Size by Revenue (Global), 2012-2021E



Source: Frost & Sullivan Report

## INDUSTRY OVERVIEW

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### OVERVIEW OF ONLINE VIDEO CONTENT PROTECTION MARKET

#### Definition of Online Video Content Protection

OVCP has become one of the cornerstones of the online video entertainment industry. The risks of piracy and copyright violation remain pervasive in the online sector, and OVCP service providers help the protection of video content primarily by using watermarking and fingerprinting technology that can facilitate critical business functions, including content identification, copyright protection and data intelligence. Watermarking and fingerprinting are the two most commonly used OVCP technologies in the online video and audio content market currently.

#### Watermarking Technology

Online video watermark is a kind of marker permanently added to every frame of video, visibly or invisibly. The watermark is added to and often hidden within a media file, often just a unique identification number. Only videos with added watermarks can be identified. Once the watermark is removed through certain technologies, the video would lose protection. Watermarking has the advantage of precision compared with fingerprinting, as it can trace the original source of illegal content. However, watermarking typically requires higher investment in powerful servers during the watermark insertion process.

#### Fingerprinting Technology

Online video fingerprint is comprised of clues such as video characteristics without embedding any information.

In the process of identification based on fingerprinting technology, the fingerprint of the targeted video is extracted and compared with the reference video fingerprint database. If the match is positive, the content will be automatically located. The identified pattern is stored in a database and can be used for recognizing the content in the future.

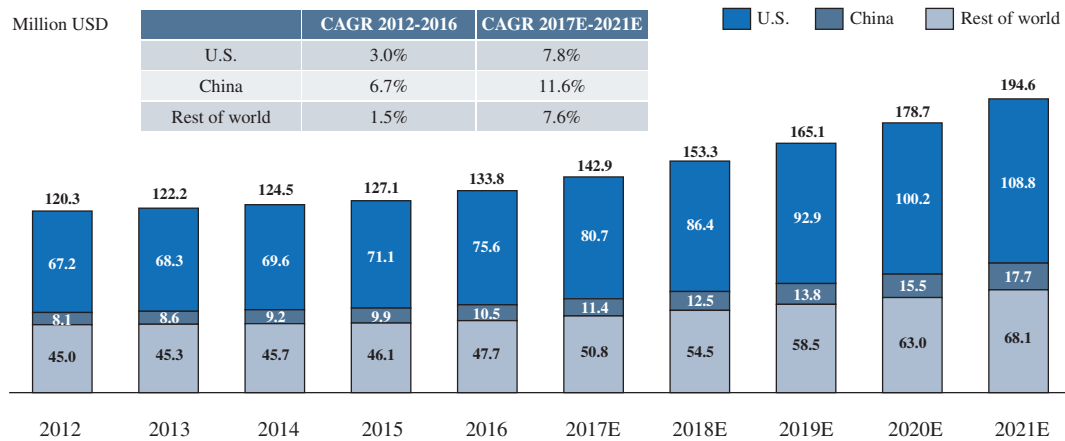
Unlike watermarking, which must be inserted into the video and only identify copies of the particular video made after that point in time, fingerprinting is more flexible in workflow. Fingerprinting can detect similar content without inserting any marker into the content in advance. This technology is also not dependent on format, which can be used to identify complete videos, segments of videos and short snippets of video.

## INDUSTRY OVERVIEW

### Market Overview

According to the Frost & Sullivan, pirated online video content has witnessed rapid growth. The value of pirated online video in the global, US and China markets was respectively US\$22.6 billion, US\$6.4 billion and US\$3.1 billion in 2016, and are forecasted to increase further at a CAGR of 9.2%, 4.2% and 19.7% between 2017 and 2021. The size of the OVCP market in 2016 was US\$133.8 million globally, and US\$75.6 million and US\$10.5 million in the US and China, respectively. With the promulgation and maturity of copyright laws and policies, there has been heightened awareness of protection of video assets in recent years. Frost & Sullivan projects that the OVCP market size will reach US\$194.6 million in 2021 globally at a CAGR of 8.0% between 2017 and 2021, while the OVCP market in the US and China will reach US\$108.8 million and US\$17.7 million in 2021, representing a CAGR of 7.8% and 11.6% during the same period, respectively.

### Online Video Protection Market Size by Revenue (Global), 2012-2021E

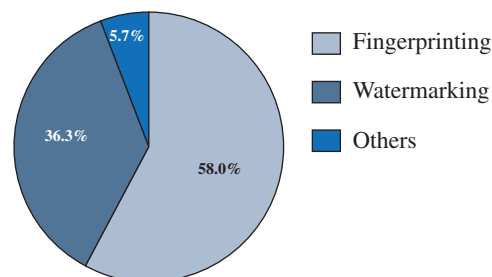


Note: The above data include only the third party OVCP market value without taking into account the self-developed market.

Source: Frost & Sullivan Report

The application of the watermarking technology interrupts video production workflow during the watermarking insertion process and is provided by several companies globally. Fingerprinting technology has a larger user base in the OVCP market as it is relatively more effective in identifying piracy copies of online video. The US market size of OVCP with fingerprinting technology was US\$43.8 million accounting for 58.0% of the total OVCP market in 2016.

### Breakdown of OVCP Market Size by Revenue (US), 2016



Source: Frost & Sullivan Report

## INDUSTRY OVERVIEW

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### Key Growth Drivers

#### ***Copyright Owners Require OVCP to Preserve the Ongoing Value of Content***

There is an increase in piracy due to technological advances and high rate of internet utilization, which make content sharing more convenient and inexpensive. Piracy has become a significant threat to content owners and online video providers, and there has been an increasing demand for better and more effective OVCP solutions.

#### ***Increasing Online Video Content Consumption***

As internet broadband penetration grows, data caps are eased, and high-definition video streaming becomes more reliable, content owners and broadcasters are increasingly turning toward online channels and platforms to distribute their video content. This directly translates into increased opportunity in the OVCP market.

#### ***Extensive Functionality of OVCP Technology***

Watermarking and fingerprinting technologies can facilitate many important business functions, including content identification, behavior tracking, data intelligence and copyright control for video, photos or music content owners. These technologies also enable content owners to develop new revenue models, such as claiming back advertisement income from online video sites. The wide use of OVCP technology across many sectors will create substantial opportunities for OVCP service providers.

### Entry Barriers

#### ***High Requirement on Technology***

A competitive OVCP product requires a great deal of investment, including high research and development expenses. The technological capabilities are critical to the competitiveness of the market players. Companies with extensive experience and strong research and development ability are able to deliver a comprehensive content protection platform based on OVCP technologies and other advanced algorithms and provide more-efficient and reliable solution for their clients. Thus, new players need large capital and personnel input to improve their competitiveness.

#### ***Large Size of Existing Fingerprint Database***

The large size of fingerprint database is critical to the effectiveness of content identification during the OVCP process. A leading OVCP player who specialized in fingerprinting technology may accumulate a very large number of video fingerprints in their proprietary database over time. The database is only compatible with their proprietary fingerprint algorithm. To build an equivalent database in size is resource intensive and time consuming, therefore difficult for new entrants.

#### ***High Degrees of Brand Loyalty***

Apart from price, the competitiveness of OVCP service providers is also established from word of mouth. The incumbent leaders in OVCP market are renowned for their premium quality of service. In most cases, end-users tend to use established solutions which are more effective and reliable. New players rarely have sufficient relationship and reputation to gain the trust from the market. Therefore, they will have difficulty in competing with those market leaders with entrenched reputation.

## INDUSTRY OVERVIEW

### Competitive Landscape of Content Protection Market

Global OVCP market is an emerging market, with the US holding a leading position. The competitive landscape of the global OVCP market is relatively fragmented with the top five players occupying 27.8% of total market share in 2016. We hold a leading global position with a worldwide market share of 7.5% based on 2016 revenue, followed by Company A and Company B with market share of 6.5% and 5.6%, respectively. We compete primarily based on the quality and coverage of our platforms, the technical stability and scalability of our infrastructure, our knowledge of the worldwide markets and our stability to scale our products and services globally. Company A provides fingerprint technology and expertise in monitoring illegal download activity on P2P networks, blogs and video streaming sites. Company B is the leading supplier of audio and video forensic watermarking technology to the OTT streaming market, whose watermarking technology is already deployed in many digital cinema systems worldwide. Company C provides intelligence on the distribution of pirated content. It works by monitoring P2P networks, cyberlocker sites, and live streaming sites. Company D is a global provider of platform, channel and content protection services and offers fingerprinting and watermarking services to identify the full delivery path of video content.

Apart from the above competition, there are content owners that may prefer to self-develop their own OVCP software or search on the internet rather than using third-party OVCP service providers. However, in the long run, third party OVCP service will become more popular due to its quality, reliability and scalability.

### Top 5 OVCP Service Providers based on Revenue (Global), 2016

Company	Revenue, US\$ (million)	Market Share
Vobile US .....	10.0	7.5%
Company A .....	8.7	6.5%
Company B .....	7.5	5.6%
Company C .....	5.6	4.2%
Company D .....	5.4	4.0%
Top 5 .....	37.2	27.8%
Total .....	133.8	100.0%

Source: Frost & Sullivan Report

## OVERVIEW OF VIDEO MONETIZATION SERVICE MARKET

### Definition of Home Video Distribution Service

The conventional home video distribution business distributes film and TV content in various physical video discs formats to the market. The video discs are delivered through video stores or by-mail service. While online video delivery leverages the technologies that enable the delivery of content to the end-user on the internet.

### Business Model of Video Monetization Service

#### Conventional Home Video Monetization Model

Wholesale-retail and monetization (revenue-sharing) are the two most common business models in the conventional home video distribution market. In the wholesale-retail model, video stores purchase physical video discs from wholesale distributors and rent or sell the copies to retail customers.

## INDUSTRY OVERVIEW

Under the revenue-sharing model, supported by the transactional data measurement and auditing service provided by third-party service providers, conventional video distributors lease the video discs to the video stores at a much lower price in return for a percentage of the rental revenue and of the proceeds from eventual used video discs sale to consumer. Because there are no large upfront guarantees under this model, video stores can increase the depth and breadth of their inventories of video content.

### Online Video Monetization Model

Online video sites usually need to spend large upfront guarantee fees to purchase the copyright of content from content owners based on heavy negotiation, and host the content on their sites for consumption. They then recoup the spending and intend to make a profit from advertisement (AVOD) or consumer payments (TVOD), depending on the video sites' business model. This upfront guarantee model requires significant capital from the online video sites, and also limits the licensed content to hand-picked popular titles.

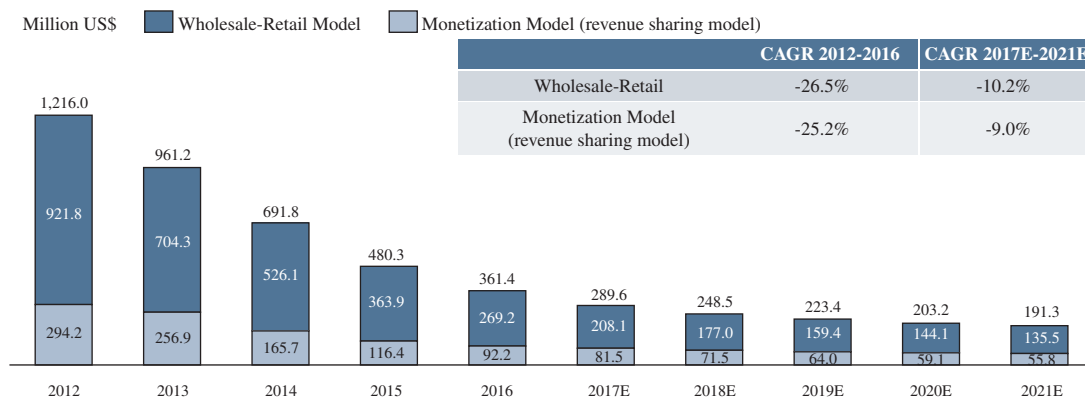
Online video monetization refers to a transaction-based, revenue sharing business, which realise monetization through measurement of video, majorly applied in TVOD and AVOD market. Online video monetization model enables online video sites to acquire large number of videos from content owners without significant upfront guarantee, but instead share a portion of their revenue generated from advertisement and/or rental fees paid by users to the content owners. The revenue split earned by the content owners relies on the data measurement and reporting provided by either the online video sites or by a third-party service provider. Unlike conventional home video market, the revenue-sharing model is relatively new for online video distribution. In particular, using third-party service providers to facilitate online video distribution using revenue sharing model has only emerged in the last two years in both the US and China.

## Market Overview

### Conventional Home Video Monetization Market

The total video store rental revenue declined sharply from US\$1.2 billion in 2012 to US\$0.4 billion in 2016 and this trend is expected to continue. This downward trend is a result of the widespread availability of online video which enables consumers to stream or download videos for consumption at home. The number of video stores in the US has also seen a major decrease in the past few years, reaching around 3,500 stores in 2016 from around 4,500 stores in 2012.

### Market Breakdown of Video Store Rental by Sales Revenue (US), 2012-2021E



Source: Frost & Sullivan Report

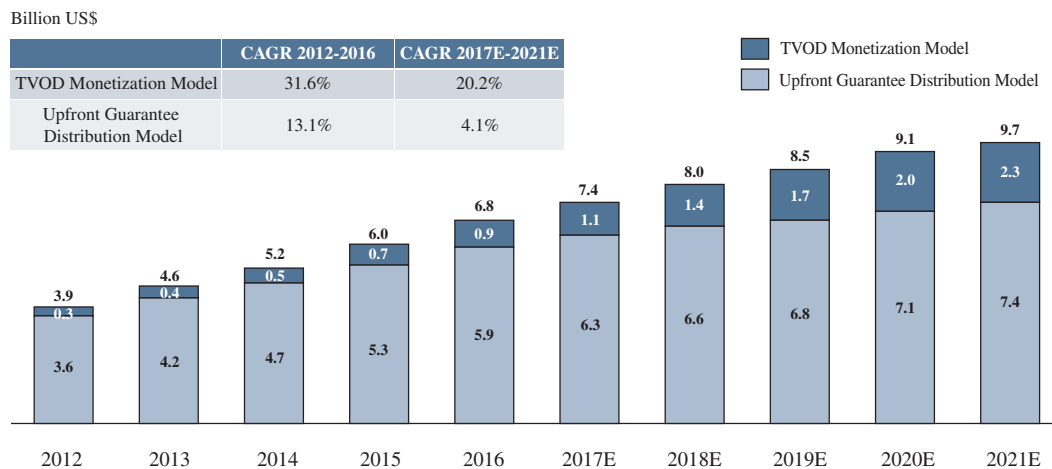
## INDUSTRY OVERVIEW

The revenue-sharing model had been used mostly in the video store rental market for a long time and accounted for 25.5% of the total video store rental revenue in 2016. With the acquisition of the PPT business from Rentrak in 2015, Vobile, Inc. become the only major service provider for facilitating revenue-sharing model in brick and mortar rental market in US.

### Online Video Monetization Market

Currently, the TVOD monetization model is mostly used by large TVOD video sites, such as iTunes, Vimeo, and Vudu, which are able to acquire video content from content owners at a low price due to their scale and reputation. These online video sites then share the rental fees paid by users with content owners at a certain percentage. The TVOD monetization model is rarely used by smaller video sites due to the lack of third-party vendors providing measurement and auditing services for revenue sharing.

### Breakdown of TVOD Market Size by Gross Revenue (Global), 2012-2021E



*Note: The market size of TVOD monetization model is the gross billing of rental transaction fees generated from the online video sites including TVOD sites that use either in-house solutions or third-party service providers for data measurement and reporting.*

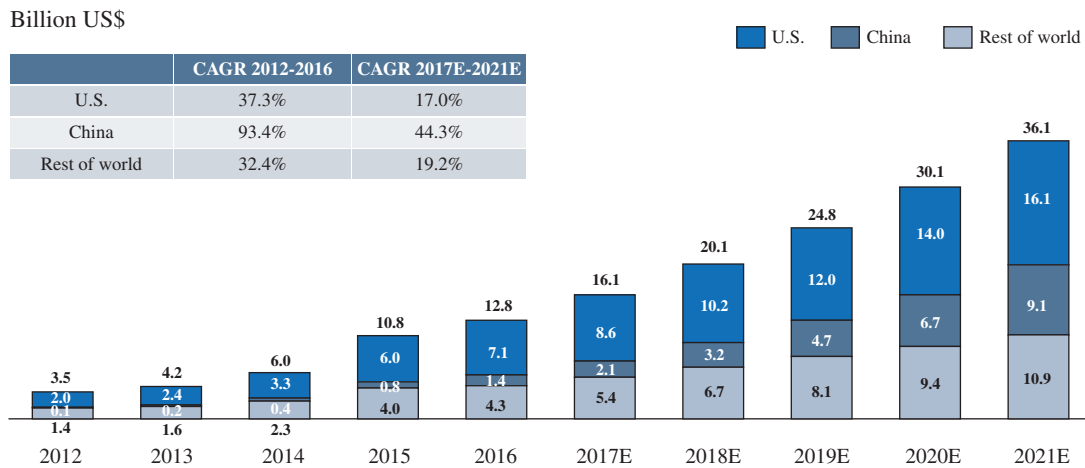
*Source: Frost & Sullivan Report*

Under AVOD monetization model, content owners can leverage the measurement service from large AVOD video sites, such as YouTube. These AVOD sites offer revenue-sharing service so that content owners can distribute their content to those sites and generate revenue from advertisements placed on its videos after the video sites deduct their revenue share. In some cases, content owners rely on in-house personnel and solutions to manage their video channels on those video sites as well as revenue-sharing payment verification. In other cases, content owners use third-party services to help measure and audit their video channels and/or claim copyright ownership from third-party uploaded videos that contain their copyrighted material, so that the content owners can share revenue from advertisements placed on those videos after the video sites deduct their revenue share.



## INDUSTRY OVERVIEW

### AVOD Monetization Model Market Size by Revenue (Global), 2012-2021E



Notes: The market size of AVOD monetization model are the gross billing of advertising revenue generated from the online video sites that utilize a revenue-sharing model, including AVOD sites that use either in-house solutions or third-party service providers for data measurement and reporting.

Source: Frost & Sullivan Report

Due to the cost-saving advantage, the online video monetization model has achieved rapid expansion in the past five years. The global AVOD and TVOD monetization markets are forecasted to grow further with a CAGR of 20.2% and 22.4% from 2017 to 2021, reaching US\$2.3 billion and US\$36.1 billion in 2021, respectively. Although the online video monetization market is in very early stages in China, with more international enterprises entering China market, the TVOD monetization model will be quickly gaining popularity especially among small and medium video platforms. It is projected that the TVOD monetization model will increase from US\$10.5 million in 2017 to US\$159.7 million in 2021 with a CAGR of 97.5% and AVOD monetization model will increase from US\$2.1 billion in 2017 to US\$9.1 billion in 2021 with a CAGR of 44.3% in China.

### Key Market Drivers of Online Video Monetization Service Market

#### *Strong Demand for Online Video Consumption*

The growth of online video consumption options where viewers can download or stream content from an online source is creating extensive opportunities for consumers to have greater control over what they watch, when they watch and how they watch. The market size of global online video entertainment by revenue is expected to increase from US\$44.9 billion in 2017 to US\$86.6 billion in 2021, with a CAGR of 17.8%. The strong growth of the online video market would increase consumer spending in online video compared with traditional physical video consumption, which could generate large market potential for companies running under a revenue-sharing model.

#### *Strong Growth of Online Advertising Market*

The global online video advertising spending experienced a rapid growth at a CAGR of 26.6% from 2012 to 2016, compared to 4.5% of TV advertising, reflecting the continuous transition of the global advertising market from traditional to online video content. The fast growth of global online video advertising spending is mainly facilitated by the increasing popularity and proliferation of online video content, online video viewership, and its ability to provide more targeted advertisement in real-time with



## INDUSTRY OVERVIEW

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relatively less costs. In the next five years, global online video advertising spending is expected to maintain a rapid growth with a CAGR of 17.2%. The fast growth of online advertising market would provide strong support for the growth of the AVOD monetization market.

### *Significant Effect in Cost Savings*

The cost of purchasing video content has long been the largest part of the operating cost of online video sites, which has led to the exit of many small and medium sized players. The monetization model enables them to significantly reduce their operating cost and provide more content for customers. With the advancement of online video monetization technology and increasing recognition from the market, online video monetization model will be more widely used among online video sites and content owners for AVOD and TVOD distribution.

### **Competitive Landscape of Video Monetization Market**

In the conventional home video market, the PPT system had been the only major third-party platform to facilitate the conventional home video monetization business in the US for several years. After acquiring the Conventional PPT business from Rentrak in 2015, we become the only major service provider for facilitating revenue-sharing model in video store rental market in the US. The main competition to our Conventional PPT business is the alternative ways for consumer to consume video content other than renting in video stores, such as online video streaming.

Both the TVOD and AVOD monetization service market are relatively new in the online video distribution market, and only a few companies have influence in the market. In particular, using third party providers to facilitate online video distribution using revenue-sharing model has only emerged in the last two years. Influential participants in TVOD monetization service market in the US are leading TVOD sites, such as iTunes, which is able to form a direct distribution relationship with film studio with its in-house revenue sharing platforms. As there are currently no influential third-party TVOD monetization service providers in the US, there are limited video sites that adopted the revenue-sharing model like iTunes due to lack of impartial measurement and auditing data to guard the revenue-sharing terms.

In AVOD monetization service market in the US, major participants include Multi-Channel Networks that have developed in-house content management and claiming capabilities to serve their video channels on YouTube and have started to offer third party services to other content owners on those video sites. In addition, content owners may form direct relationships with the AVOD sites and manage their video channels and claiming activities in-house, which would reduce the demand of our AVOD PPT platform.

In China, TVOD monetization service market is very new. There is also no influential third-party service provider to act as an intermediary between the online video distributors and content owners in the market. Film studios may distribute their video in TVOD monetization model supported by its in-house personnel and solutions. The AVOD monetization service market in China is dominated by leading video platform such as Youku and Souhu Video, which share the advertising revenue with the content owner by leveraging their in-house platforms.

## INDUSTRY OVERVIEW

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### OVERVIEW OF VIDEO MEASUREMENT SERVICE MARKET

#### Definition and Classification of Video Measurement Service

Video measurement is basically applied in TV measurement and online video measurement. TV measurement is dedicated to quantifying the size and qualifying the characteristics of detailed television audience information and advertising effectiveness. Through TV measurement, advertisers are able to know which commercials are being watched by how many people, as well as which ones have the strongest engagement and impact.

Online video measurement contains the analysis of online video performance, audience measurement, and the translation of these metrics into effective online video content and advertising strategies.

Video measurement is attracting more and more attention as it is essential to the growth of the online video ecosystem. Video measurement validates viewership, audience, behavior, and video advertisement performance to ensure confidence and revenue from advertisers. Video advertisement measurement solutions can help media buyers and sellers understand each advertising campaign on a deeper level. Online video measurement market increased from US\$27.4 million in 2012 to US\$64.6 million in 2016, and it is projected to achieve a CAGR of 34.6% from 2017 to 2021 in the US. TV measurement market witnessed fast growth from US\$1.7 billion in 2012 to US\$2.5 billion in 2016, and it is projected the growth of TV advertisements revenue will grow slower with a CAGR of 6.7% from 2017 to 2021 in the US.

#### Key Market Drivers of Video Measurement Market

##### *Increasing Online and TV Advertising Spending Prompts the Need for Measurement Services*

To validate the audience reach and achieve efficiencies for future advertisement planning, advertisers are turning to solutions that can help them measure and validate advertising campaigns. TV and online video advertisement measurement solutions offer metrics such as viewership and engagement, which help advertisers evaluate the return on their online advertising spending. The key for advertisers is to understand who their audience is, how visible their advertisements are, and how they can deliver optimized content to engage the audience.

## INDUSTRY OVERVIEW

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### ***Pressure to Deliver High-Quality Service to Increase Viewer Engagement***

The popularity of online video is raising viewer expectations as they are spending an increasing amount of time with content. The quality of the experience must be similar to or exceed that of TV. To deliver a high quality TV-like viewing experience, publishers and service providers need to identify all the factors affecting viewership. An online video measurement solution will help the publisher identify quality metrics, which, in turn, will help to deliver high-quality content to the appropriate audience at the appropriate time, thus ensuring that the engagement on its online portal does not drop.

## REGULATIONS

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### US INTELLECTUAL PROPERTY LAWS

Our business is not subject to special material regulations in the US and is not a heavily regulated business. Set forth below is a description of legal regimes of general applicability in the US of particular relevance to our business.

Our software platforms are protected by copyright, and trade secret laws in various countries throughout the world, and certain aspects of our certain of our software platforms are protected by patents in certain countries, primarily the US. In general, these laws have the effect to provide us with the exclusive legal right to copy, distribute and otherwise exploit our software platforms. However, the main protection for our software platforms is that (a) we retain the source code to our software platforms on computers located on our premises and no copies of our source code are provided to third parties and (b) copies of our software in executable code are not provided to our customers – instead, our software resides on computers we own or rent in the cloud infrastructure and our customers have access only to limited aspects of such software via the internet, primarily to results our software obtains. Similarly, our VDNA database is not provided to our customers (except in certain cases that portion of the VDNA database resulting from fingerprints of their content is provided to a customer upon request); we provide our customers an executable application pursuant to which the content owner can generate VDNA for their specific video content and transfer it to a centralized VDNA database which resides on computers that we own or rent on the cloud infrastructure. Similarly, we provide an executable application to our PPT customers which they can install, configure and connect to their local POS system in order to measure their distribution. In each of these cases, security keys are needed in order to install and activate the application.

Part of our business involves helping our clients protect their intellectual property, specifically their original copyrighted works, as they are distributed over the internet principally through our VideoTracker and MediaWise software platforms which provide a content protection service. Several countries around the world have enacted laws and regulations that govern this process. Specifically, “notice and takedown” provisions allow copyright owners or those acting on their behalf to send notices of infringement to an internet or online service provider, or ISP, when infringing material appears on websites or service that they control. Under such provisions, upon receiving proper notice, an ISP is required to remove infringing content and in exchange the ISP obtains an exemption from certain kinds of liability for that infringement due to potentially being a participant in or enabler of the infringement. Because such provisions also require ISPs to publicly post their contact information in order to receive such notices, we engage with these rules in order to help ensure our customers’ works are protected from infringement. If the poster of the allegedly infringing material disagrees that the material is infringing, then the Digital Millennium Copyright Act (“**DMCA**”), provides a further process for the poster and content owner to resolve the matter after the poster timely notifies the ISP of its disagreement that the posted material is infringing.

### US TAX LAWS

The US federal government imposes several important taxes on corporations, income taxes, employment taxes and a wide variety of excise taxes on such things as alcohol, tobacco, firearms, motor and aviation fuels, and medical devices. Most but not all states (and even some local jurisdictions, such as cities and towns) impose some form of corporate income tax, as well as ad valorem property taxes (many times on both real and personal property), sales and use taxes, and a variety of business license taxes.

## REGULATIONS

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US income taxing jurisdiction is based on one of two grounds: residence or source. US corporations (i.e., corporations incorporated under the laws of the US, any state thereof or the District of Columbia), such as Vobile US, are generally subject to US federal income taxation on their worldwide net income at a maximum rate under current law of 35.0 percent. Non US corporations, such as our Company, are generally subject to US federal income taxation on US source fixed or determinable annual or periodic income (FDAPI, which is generally passive or investment type income, such as interest, dividends (including dividends paid by Vobile US), rents and royalties, with certain exceptions) and on income effectively connected with the conduct of a trade or business within the US (ECI). FDAPI is subject to US federal income tax through imposition of a 30% (in the case of our Company) withholding tax on the gross amount of such income. ECI is taxed on a net income basis in the same manner as the income of US corporations. We are not and do not expect to be engaged in a US trade or business and accordingly does not expect to realize ECI. Nor does we expect to realize significant taxable FDAPI.

Under the US so called "anti inversion" rules, a non-US corporation can nonetheless be treated for federal income tax purposes as a US corporation, and thus subject to US federal income taxation on its worldwide income, in certain circumstances. However, the Company believes that neither the Company nor Vobile US has engaged in transactions that would trigger application of these "anti inversion" rules.

State taxation of corporations is constrained by US constitutional principles and usually requires some minimum connection, or "nexus," with the state seeking to impose the tax. In addition, even with nexus, the state may tax only income "fairly apportioned" to that state. Vobile US is subject to state income taxation primarily in Oregon (at a maximum rate of 7.6 percent) and California (at a maximum rate of 8.8 percent).

### US ANTI-CORRUPTION LAWS

The Foreign Corrupt Practices Act of 1977, as amended, 15 USC. §§ 78dd-1, et seq. ("FCPA"), makes it unlawful for certain classes of persons and entities to make payments to foreign government officials to assist in obtaining or retaining business. Specifically, the anti-bribery provisions of the FCPA prohibit the willful use of the mails or any means of instrumentality of interstate commerce corruptly in furtherance of any offer, payment, promise to pay, or authorization of the payment of money or anything of value to any person, while knowing that all or a portion of such money or thing of value will be offered, given or promised, directly or indirectly, to a foreign official to influence the foreign official in his or her official capacity, induce the foreign official to do or omit to do an act in violation of his or her lawful duty, or to secure any improper advantage in order to assist in obtaining or retaining business for or with, or directing business to, any person. Since 1977, the anti-bribery provisions of the FCPA have applied to all US persons and certain foreign issuers of securities. With the enactment of certain amendments in 1998, the anti-bribery provisions of the FCPA now also apply to foreign firms and persons who cause, directly or through agents, an act in furtherance of such a corrupt payment to take place within the territory of the US.

The FCPA also requires companies whose securities are listed in the US to meet its accounting provisions. See 15 USC. § 78m. These accounting provisions are designed to operate in tandem with the anti-bribery provisions of the FCPA, and require corporations covered by the provisions to (a) make and keep books and records that accurately and fairly reflect the transactions of the corporation and (b) devise and maintain an adequate system of internal accounting controls.

## **REGULATIONS**

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The FCPA provides for different criminal and civil penalties for companies and individuals. For each violation of the anti-bribery provisions, the FCPA provides that corporations and other business entities may be subject to civil and/or criminal penalties of up to US\$2.0 million. In addition, individuals, including officers, directors, shareholders, and agents of companies, may be subject to a civil and/or criminal penalty of up to US\$250,000 and imprisonment for up to five years. Finally, for each violation of the accounting provisions, the FCPA provides that corporations and other business entities may be subject to civil and/or criminal penalties of up to US\$25.0 million, and individuals may be subject to a civil and/or criminal penalty of up to US\$5.0 million and imprisonment for up to 20 years.

The US Securities and Exchange Commission and the US Department of Justice are jointly responsible for enforcing the FCPA.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### HISTORY AND DEVELOPMENT

#### Our business history

Vobile US and VideoMobile were founded in 2005 by Mr. Wang. Mr. Wang led a team to develop the underlying algorithms and fingerprinting technology that underpins our VDNA technology.

Mr. Wang funded our Group's modest operating costs until our Group first obtained outside financing in early 2006. Our Group's original members were the then ultimate holding company VideoMobile, with its wholly-owned US operating subsidiary Vobile US, and subsequently in 2006 its indirectly wholly-owned, via VideoMobile BVI, PRC operating subsidiary VideoMobile PRC. Since its formation, our Group has been funded through the sales of our products and services, and through four principal financing rounds in which VideoMobile sold preference shares to investors.

As of the Latest Practicable Date, our business model can be categorized in two parts: our subscription-based SaaS business and our transaction-based SaaS business. Within our subscription-based SaaS business, VideoTracker is our principal content protection platform, which was launched in 2008. Our transaction-based SaaS business consists of content monetization solutions, namely our PPT platforms. Our first Online PPT platform, namely AVOD PPT platform, facilitates online video distribution and enables our customers to monetize their content on a revenue-sharing basis. Our AVOD PPT platform, also known as ReClaim, was re-launched in 2014 following an initial launch in 2011 that was faced with challenges due to the lukewarm response by the market to monetization solutions.

In 2014, our Group conducted an asset purchase from Blayze, which assisted the re-launch of the AVOD PPT platform. In 2015, our Group acquired the Conventional PPT business from Rentrak to facilitate a revenue-sharing model for home video content between content owners and video stores. For more details, see the section headed "– Acquisitions during the Track Record Period" below.

In 2016, we signed our first agreement with an online video site in the PRC for our new online TVOD PPT platform, which introduces a Conventional PPT-like platform into online video distribution and applies to a broader scope of video content than conventional home video content.

### MILESTONES

Year	Major developments and milestones
2005	Vobile US, the major operating company within our Group, and VideoMobile are formed by Mr. Wang.
2006	Our Group receives its first outside financing in the form of US\$350,000 worth of promissory notes from individual investors convertible into the next round of financing at a 30.0% discount which are issued by our Group's then ultimate holding company VideoMobile.



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

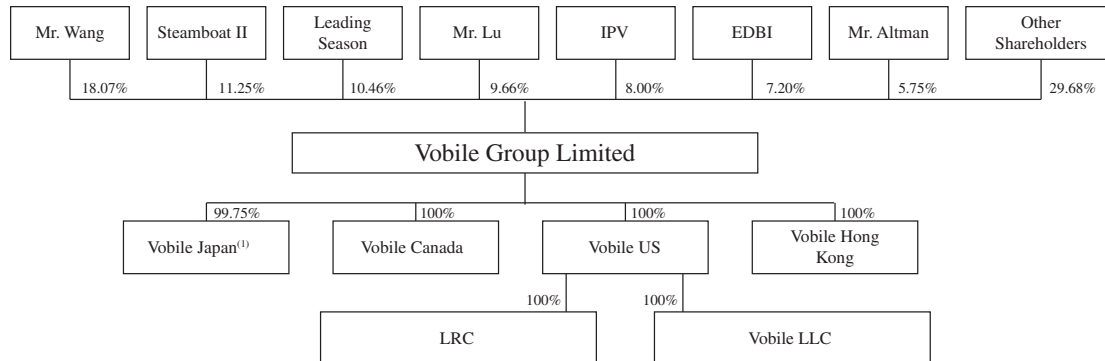
Year	Major developments and milestones
2007	<p>Our Group receives an additional approximately US\$2,220,000 of financing in the form of promissory notes largely from individual investors convertible into the next round of financing, either at no discount or at a 30.0% discount. These notes are converted into VideoMobile Series A preference shares in 2007.</p> <p>Series B preference shares are sold in our Group's then ultimate holding company VideoMobile, raising approximately US\$7 million. MediaWise, our initial product is launched.</p>
2008	VideoTracker, our principal content protection platform and second product, is launched.
2010	Series B preference shares are sold in our Group's then ultimate holding company VideoMobile, raising US\$3 million. Vobile Japan is formed.
2013-14	Series C preference shares are sold in our Group's then ultimate holding company VideoMobile, raising US\$11.25 million.
2014	We relaunched ReClaim, our AVOD PPT platform for advertising-based video distribution.
2015	Our Group acquires the Conventional PPT business from Rentrak. As part of the consideration, VideoMobile issued Series D Preference Shares to Rentrak with an attributed value of approximately US\$5 million.
2015-16	Series D preference shares are sold in the our Group's then ultimate holding company VideoMobile, raising US\$12.1 million.
2016	<p>As part of the Reorganization, our Company is formed and becomes the holding company for the Operating Subsidiaries.</p> <p>Our Company signs up its first agreement with an online video site for the TVOD PPT platform in the PRC.</p>
2017	We complete the Reorganization on January 1.



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### CORPORATE DEVELOPMENT

As at the Latest Practicable Date, our Group consists of our Company, which has three wholly-owned subsidiaries, Vobile Canada, Vobile Hong Kong and Vobile US. Vobile US, in turn has two wholly-owned subsidiaries, LRC and Vobile LLC. Our Company has an additional subsidiary, Vobile Japan, which is owned as to 99.75% by our Company and 0.25% by Mitsuru Ohki, a director of Vobile Japan. Our Company is a holding company for Vobile Canada, Vobile Hong Kong, Vobile US, and Vobile Japan, which are its operating subsidiaries. The following chart sets forth the shareholding structure of our Group as of the Latest Practicable Date.



*Note:*

1. Vobile Japan is owned as to 99.75% by our Company and 0.25% by Mr. Mitsuru Ohki, a director of Vobile Japan.

### Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on July 28, 2016. As part of the Reorganization as more fully described in the section headed “Our Reorganization” below, our Company has become the holding company of our Group for the purpose of the [REDACTED].

1. On July 28, 2016 our Company issued 1,000 ordinary shares of par value US\$0.01 to VideoMobile in exchange for US\$10.
2. Pursuant to four share purchase agreements dated July 29, 2016, our Company purchased on July 29, 2016, all outstanding shares of the Operating Subsidiaries (except for 0.25% of the outstanding shares of Vobile Japan which were owned by its director Mitsuru Ohki), for US\$1.00 per subsidiary. Upon completion of these four transactions, the Operating Subsidiaries all became wholly-owned subsidiaries of our Company (except for Vobile Japan which remained 0.25% owned by its director, Mitsuru Ohki).
3. On December 2, 2016 our Company effected a 100 for 1 split of its shares, so that 100,000 Shares were issued and outstanding, and issued to VideoMobile an additional 83,193,634 Shares and Preference Shares so that VideoMobile held the same number and class and series of Company shares as VideoMobile shares are outstanding and held by VideoMobile shareholders. Such Shares and Preference Shares were issued at their par value of US\$0.0001 per share.
4. On December 30, 2016, we adopted the Pre-[REDACTED] Share Option Scheme covering 6,000,000 Shares, as described in the section headed “Pre-[REDACTED] Share Option Scheme” below.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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5. On January 1, 2017 our Company, as parent of our Group, was spun-off from VideoMobile, as described in the section headed "Our Reorganization – 3. Spin-off of our Group from VideoMobile." As a result, we had outstanding 83,293,634 Shares and Preference Shares; all of the Preference Shares will convert automatically into Shares upon the [REDACTED].
6. As of the Latest Practicable Date, we had an authorized share capital of US\$800,000 divided into 8,000,000,000 Shares of a par value of US\$0.0001 each.

### *Subsidiaries of our Group*

#### *Vobile US*

Vobile US was formed in California, US on May 20, 2005, and is one of the wholly-owned subsidiaries of our Company. Vobile US is the principal operating entity of our Company and generates the majority of our Company's revenue and profit, conducting research and product development, sales and marketing, and other activities with respect to the subscription-based SaaS business such as the VideoTracker platform and the Conventional PPT business.

#### *LRC*

LRC was formed in Oregon, US on June 30, 1997, and is one of the wholly-owned subsidiaries of Vobile US. LRC was acquired from Rentrak in 2015. LRC had been a licensed collection agency in Oregon, US and had functioned as the payment collection entity for the Conventional PPT business. Vobile US allowed this license to lapse in February 2016, determining a separate function was no longer required. Vobile US and LRC conducts the Conventional PPT business and generates almost all of the revenue from such business.

#### *Vobile LLC*

Vobile LLC was formed in Delaware, US on January 29, 2015, and is one of the wholly-owned subsidiaries of Vobile US. Vobile LLC was formed by Rentrak to facilitate our Group's acquisition of the Conventional PPT business from Rentrak on January 31, 2015. Vobile LLC has no employees or other assets and does not conduct any of the Conventional PPT business.

#### *Vobile Canada*

Vobile Canada was formed in British Columbia, Canada on January 30, 2015, and is one of the wholly-owned subsidiaries of our Company. Vobile Canada was formed by Rentrak to facilitate our Group's acquisition of the Conventional PPT business from Rentrak on January 31, 2015. Vobile Canada principally enters into contracts with Canadian entities as part of the Conventional PPT business's operations in Canada. Vobile Canada has no employees or other assets beside these contracts.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### *Vobile Japan*

Vobile Japan was formed in Japan on December 7, 2010. Prior to the Reorganization, Vobile Japan was 99.75% owned by Vobile Singapore, which held such shares of Vobile Japan for the benefit and as a nominee of VideoMobile. After the Reorganization, our Company owns 99.75% of the shares of Vobile Japan and the President of Vobile Japan, Mr. Mitsuru Ohki, owns the remaining 0.25% of its shares. Vobile Japan conducts sales and operations in Japan for the content protection SaaS business and also for the mSync content measurement product.

### *Vobile Hong Kong*

Vobile Hong Kong was incorporated in Hong Kong as a private company limited by shares on December 18, 2014, and is one of the wholly-owned subsidiaries of our Company. Vobile Hong Kong conducts sales and operations in Hong Kong for the content protection SaaS business and also assists our Group with our new TVOD PPT offering in the PRC.

## [REDACTED] INVESTMENTS

### Principal terms of the Investments in VideoMobile

In order to raise capital for growth and development, prior to the Reorganization and Spin-off, VideoMobile conducted four rounds of investments as follows, with all shares being sold for cash except as noted in the footnotes:

Preference share series of VideoMobile	Offering period	Initial Sales Price per preference share of VideoMobile <sup>(1)</sup>	Price paid by investors per preference share of VideoMobile <sup>(1)</sup>	No. of preference shares of VideoMobile issued	Amount raised	Discount/ (Premium) of price paid to [REDACTED] <sup>(1)(2)</sup>
	(month/year)	(US\$)	(US\$)	(millions)	(US\$ millions)	
Series A . . . . .	05/2006 to 08/2007	0.30 <sup>(3)(4)</sup>	0.21 to 0.30 <sup>(3)(4)</sup>	9.81 <sup>(4)</sup>	2.57	[REDACTED]% to [REDACTED]%
Series B . . . . .	10/2007 and 06/2010	0.54 <sup>(4)</sup>	0.54 <sup>(4)</sup>	18.96 <sup>(4)</sup>	10.24	[REDACTED]%
Series C . . . . .	12/2013 to 04/2014	0.90 <sup>(5)</sup>	0.72 to 0.90 <sup>(5)</sup>	12.55	11.25 <sup>(5)</sup>	[REDACTED]% to [REDACTED]%
Series D . . . . .	01/2015 to 07/2016	1.75	1.75	9.77	17.10 <sup>(6)</sup>	[REDACTED]%

#### Notes:

- (1) The “Initial Sales Price” represents the initial sales price per preference share of VideoMobile for the purposes of the rights of the [REDACTED] Investors under the articles of association of VideoMobile. The price paid by the [REDACTED] Investors was for the subscription of the preference shares of VideoMobile prior to the occurrence of the Reorganization and Spin-off. Immediately upon completion of the Reorganization and Spin-off, the [REDACTED] Investors held the preference shares of, and have an interest in, VideoMobile (which in turn owns its subsidiaries, including VideoMobile PRC Entities) and our Company (which in turn owns our subsidiaries).
- (2) The discount/(premium) of the price paid per preference share of VideoMobile to the [REDACTED] is calculated on the basis that the price paid per preference share of VideoMobile is adjusted for the effect of the [REDACTED] and the [REDACTED] is HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED].
- (3) Early investors in bridge notes issued by VideoMobile which were converted into Series A preference shares of VideoMobile received a 30% discount (i.e. US\$0.21 per Series A preference share of VideoMobile). See the section headed “[REDACTED] Investors – Series A [REDACTED] Investors” below.
- (4) All prices and share numbers for Series A preference shares and Series B preference shares of VideoMobile have been adjusted for intervening share splits since their issuance.
- (5) Holders of Blayze promissory notes with a principal balance of US\$175,000, namely Social Leverage Capital Fund I, L.P. and Allen Debevoise, received a 20% discount to incentivize conversion into Series C preference shares of VideoMobile (i.e. US\$0.72 per Series C preference share of VideoMobile). See “[REDACTED] Investors – Series C [REDACTED] Investors” below.
- (6) The consideration for 2.85 million Series D preference shares of VideoMobile was partial payment for the purchase of the Conventional PPT business rather than cash, with an attributed value of US\$5 million.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Rights of the [REDACTED] Investors

Prior to the Reorganization, the [REDACTED] investors held preference shares in VideoMobile which had certain rights attached to them as granted by VideoMobile's article of association.

As a result of the Reorganization and Spin-off as described below, we issued the same number and series of Preference Shares to VideoMobile which were then distributed by way of a distribution in specie to the same [REDACTED] Investors with the same deemed Initial Sales Prices as the [REDACTED] Investors held in VideoMobile for the purposes of their rights under the Articles of our Company. These Preference Shares had the following special rights under the Articles of our Company:

1. Dividend preference over Shares accruing but not cumulating each year equal to 4.8% of their Initial Sales Prices. If the full dividend preference is not paid to the holders of the Preference Shares, then any dividends paid shall be distributed ratably among the holders of the Preference Shares in proportion to the full dividend preference amount that each such holder is otherwise entitled to receive. Once this dividend preference has been satisfied in a given year, all other dividends would be paid to holders of Shares and Preference Shares on as-converted basis. Any dividends would only be paid if, when, and as declared, but none have ever declared.
2. Liquidation preference over ordinary shares equal to 80% of the Initial Sales Price plus accrued but unpaid dividends, triggered upon a sale, merger, or dissolution. The Series C and D Preference Shares are *pari passu* with one another with priority over the Series A and B Preference Shares which are *pari passu* with one another. Once the liquidation preferences of the Preference Shares are satisfied, all additional amounts are distributed among the holders of Shares.
3. Convertible voluntarily by their holders at any time into Shares on a one-to-one basis, with no anti-dilution protection but with appropriate adjustments for events such as share divisions or combinations or reorganizations.
4. Convert automatically (i) upon certain [REDACTED] meeting certain criteria which the [REDACTED] satisfies, (ii) when a majority of the Preference Shares has voluntarily converted, and (iii) upon a majority vote of the holders of Preference Shares into Shares on a one-to-one basis, with no anti-dilution protection but with appropriate adjustments for events such as share divisions or combinations or reorganizations.

All of these Preference Shares will convert automatically on a one-for-one basis into Shares upon the [REDACTED], and all of the above-mentioned special rights will terminate upon the [REDACTED].

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Pursuant to the Reorganization, the [REDACTED] Investors are also entitled to certain rights under an investors' rights agreement ("IRA") as detailed below:

1. All [REDACTED] Investors have certain registration rights should there be an [REDACTED] in the US allowing the Shares to either be sold in the [REDACTED] or thereafter more easily. These include demand and piggyback registration rights.
2. Any [REDACTED] Investor who holds at least any combination of 6,000,000 Series B Preference Shares, Series C Preference Shares, and/or Series D Preference Shares ("Major [REDACTED] Investors") have certain information rights, including rights to receive financial statements and budgets and to inspect facilities and books and records and to meet with management.
3. Major [REDACTED] Investors have certain rights to participate pro rata in certain future share issuances, with exclusions for share issuances whose primary purpose was not fund raising such as share issuances to employees and strategic partners.
4. To the extent the right of first refusal is not exercised by the Company, Major [REDACTED] Investors have a right of first refusal on certain sales of Shares by Mr. Lu and Mr. Wang, subject to certain exclusions such as sales to family members.

The IRA was amended on November 29, 2016, as part of the Reorganization, and provides that all of these above-mentioned special rights granted under the IRA will terminate upon the [REDACTED].

### *Lock-Up*

Upon the [REDACTED], all of the [REDACTED] Investors are subject to a market stand-off/lock-up provision under the amended IRA, which provides that Shares cannot be sold without the consent of the [REDACTED] for at least six months (the "Lock-Up") from the [REDACTED].

### *[REDACTED] of and Strategic Benefit from [REDACTED] Investments*

The funds raised from the [REDACTED] financings were used for working capital and general corporate purposes, funding losses incurred due to research and development, marketing and sales, general and administrative expenses in advance of our Company receiving adequate revenues from its SaaS products to fund its operations. In addition, US\$4,000,000 was used for the acquisition of the Conventional PPT business from Rentrak and US\$140,000 was used for the Blayze acquisition. As of the Latest Practicable Date, all of the funds raised from the [REDACTED] Investments have been so utilized.

Venture capital funds like our shareholders IPV, Ivy Capital, EDBI, and Cybernaut have expertise in emerging growth companies, particularly in Asia, which provided a backdrop for their interactions and informal advice to our Company. In addition, shareholders such as Steamboat II (a fund whose investor is The Walt Disney Company, one of the top five customers of our Group), and AT&T (a fund whose investor is AT&T, Inc.) were able to help facilitate business relationships with their investors and had relevant expertise related to our business.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### [REDACTED] Investors

#### Series A [REDACTED] Investors

The table below sets forth a list of the Series A [REDACTED] Investors. The offering of Series A preference shares of VideoMobile involved the cancellation of the principal balance of the indebtedness represented by promissory notes at either US\$0.30 or US\$0.21 per Series A preference share of VideoMobile, which were determined on arm's length basis between the parties, depending on when the loans were made (i.e. between May 2006 and August 2007). The total amount of cash raised was US\$2.57 million. As a result of the Reorganization and Spin-off, the Series A [REDACTED] Investors received our Series A Preference Shares. All of our Series A Preference Shares will automatically convert into Shares immediately upon the [REDACTED], and all the special rights of the Series A [REDACTED] investors described above will terminate upon the [REDACTED].

Name of investor	Date of investment (month/day/year)	Amount of consideration paid (US\$)	Price paid per Series A preference share of VideoMobile (US\$) <sup>(1)</sup>	Discount of price paid to the [REDACTED] (%) <sup>(1)(2)</sup>	Date of payment of consideration (month/day/year)	Number of Series A preference share of VideoMobile held <sup>(1)</sup>	Shareholding upon [REDACTED] <sup>(3)</sup>	
							No. of Shares	Approx. %
Al Frugaletti, Trustee, Frugaletti Family Trust	10/04/2007	125,000	0.21	[REDACTED]	10/04/2007	595,238	[REDACTED]	[REDACTED]
Benjamin Wen Jing Wu	10/04/2007	60,000	0.21	[REDACTED]	10/04/2007	285,714	[REDACTED]	[REDACTED]
Brooknol Advisors, LLC	10/04/2007	100,000	0.30	[REDACTED]	10/04/2007	333,334	[REDACTED]	[REDACTED]
David B. Woodall	10/04/2007	25,000	0.21	[REDACTED]	10/04/2007	119,048	[REDACTED]	[REDACTED]
GC Holdings LLC	10/04/2007	100,000	0.30	[REDACTED]	10/04/2007	333,334	[REDACTED]	[REDACTED]
Jarl Mohn, Trustee, The Mohn Family Trust	10/04/2007	100,000	0.30	[REDACTED]	10/04/2007	333,334	[REDACTED]	[REDACTED]
Jian Lu	10/04/2007	10,000	0.21	[REDACTED]	10/04/2007	47,620	[REDACTED]	[REDACTED]
Lauren Wu	10/04/2007	25,000	0.21	[REDACTED]	10/04/2007	119,048	[REDACTED]	[REDACTED]
Ming Hwa Lee	10/04/2007	50,000	0.21	[REDACTED]	10/04/2007	238,096	[REDACTED]	[REDACTED]
Nicholas G. Moore and Jo Anne Moore, Trustees, Nicholas G. and Jo Anne Moore Revocable Trust dated July, 1988	10/04/2007	75,000	0.21	[REDACTED]	10/04/2007	357,142	[REDACTED]	[REDACTED]
Susie Ming Yu <sup>(4)</sup>	10/04/2007	500,000	0.30	[REDACTED]	10/04/2007	1,666,666	[REDACTED]	[REDACTED]
Vernon Altman, Trustee, Altman Family Trust UDT dated January 28, 1998 <sup>(5)</sup>	10/04/2007	500,000	0.30	[REDACTED]	10/04/2007	1,666,666	[REDACTED]	[REDACTED]
		300,000	0.21	[REDACTED]	10/04/2007	1,428,572	[REDACTED]	[REDACTED]
VideoRec LLC <sup>(6)</sup>	07/01/2009	400,000	0.30	[REDACTED]	07/01/2009	1,333,334	[REDACTED]	[REDACTED]
	02/17/2011	145,000 <sup>(7)</sup>	0.30 <sup>(7)</sup>	[REDACTED]	02/17/2011	476,190	[REDACTED]	[REDACTED]
	08/17/2011	7,262 <sup>(8)</sup>	0.31 <sup>(8)</sup>	[REDACTED]	08/17/2011	23,810	[REDACTED]	[REDACTED]
Yangbin Bernard Wang (as trustee of the JYW Trust) <sup>(9)</sup>	10/04/2007	10,000	0.21	[REDACTED]	10/04/2007	47,620	[REDACTED]	[REDACTED]
Ghaemi Holdings Inc.	10/05/2007	25,000	0.21	[REDACTED]	10/05/2007	119,048	[REDACTED]	[REDACTED]
Jean Guy Lambert	10/05/2007	50,000	0.21	[REDACTED]	10/05/2007	238,096	[REDACTED]	[REDACTED]
Roger and Sherry Marlin <sup>(10)</sup>	05/23/2011	17,000 <sup>(10)</sup>	0.36 <sup>(10)</sup>	[REDACTED]	05/23/2011	47,620	[REDACTED]	[REDACTED]
						9,809,530	[REDACTED]	[REDACTED]



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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*Notes:*

1. All prices and numbers for Series A preference shares of VideoMobile have been adjusted for intervening share splits since their issuance. The price paid by the Series A [REDACTED] Investors was for the subscription of the Series A preference shares of VideoMobile prior to the occurrence of the Reorganization and Spin-off. Immediately upon completion of the Reorganization and Spin-off, the Series A [REDACTED] Investors held the Series A preference shares of, and have an interest in, both VideoMobile (which in turn holds, its subsidiaries, including VideoMobile PRC Entities) and our Company (which in turn owns our subsidiaries).
2. Calculated on the assumption that the price paid per Series A preference share of VideoMobile is adjusted for the dilutive effect of the [REDACTED] and the [REDACTED] is HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED].
3. Shares to be held upon conversion of Series A Preference Shares into Shares on the [REDACTED] and immediately following completion of the [REDACTED] and the [REDACTED] assuming no exercise of the [REDACTED] or the options that have been granted under the Pre-[REDACTED] Share Option Scheme or may be granted under the Post-[REDACTED] Share Option Scheme.
4. Susie Ming Yu is an Independent Third Party.
5. Mr. Altman is a non-executive Director. Mr. Altman owns shares individually and as a trustee of the Altman Family Trust UDT dated January 28, 1998, a revocable trust of which Mr. Altman and his wife are the sole trustors and trustees, and while they are both alive, the sole beneficiaries.
6. VideoRec LLC is owned as to 95% by Mr. Wargo, a non-executive Director, and as to 5% by his brother Mr. Robert Wargo.
7. VideoRec LLC purchased the shares from Charles and Karen Colby, who are Independent Third Parties and who purchased their shares from VideoMobile on October 4, 2007 in exchange for cancellation of a promissory note in the principal amount of US\$100,000 issued by VideoMobile (i.e. price paid of US\$0.21 per Series A preference share of VideoMobile). The consideration for the sale and purchase of such shares paid by VideoRec LLC to Charles and Karen Colby of US\$0.30 per Series A preference share of VideoMobile (i.e. a total consideration of US\$145,000) was negotiated, agreed and settled between the parties on an arm's length basis and no funds were received by VideoMobile from the said transaction.
8. VideoRec LLC purchased the shares from Emmet Soper, who is an Independent Third Party and who purchased his shares on October 4, 2007 in exchange for cancellation of a promissory note in the principal amount of US\$5,000 issued by VideoMobile (i.e. price paid of US\$0.21 per Series A preference share of VideoMobile). The consideration for the sale and purchase of such shares paid by VideoRec LLC to Emmet Soper of US\$0.31 per Series A preference share of VideoMobile (i.e. a total consideration of US\$7,262.05) was negotiated, agreed and settled between the parties on arm's length basis and no funds were received by VideoMobile from the said transaction.
9. Mr. Wang is an executive Director and the chairman of the Board. Mr. Wang is also the single largest shareholder. Mr. Wang as trustee of the JYW Trust and the YBW Trust.
10. Roger and Sherry Marlin purchased their shares from Phyllis Colby, who is an Independent Third Party and who purchased her shares on October 4, 2007 in exchange for cancellation of a promissory note in the principal amount of US\$10,000 issued by VideoMobile (i.e. price paid of US\$0.21 per Series A preference share of VideoMobile). The consideration for the sale and purchase of such shares paid by Roger and Sherry Marlin to Phyllis Colby of US\$0.36 per Series A preference share of VideoMobile (i.e. a total consideration of US\$17,000) was negotiated, agreed and settled between the parties on arm's length basis and no funds were received by VideoMobile from the said transaction.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### Series B [REDACTED] Investors

The table below sets forth a list of the Series B [REDACTED] Investors. The offering of Series B preference shares of VideoMobile was at a price of US\$0.54 per Series B preference share of VideoMobile, which was determined on arm's length basis between the parties, and all such shares were acquired for cash. The total amount of cash raised was US\$10.24 million. As a result of the Reorganization and Spin-off, the Series B [REDACTED] Investors received our Series B Preference Shares. All of our Series B Preference Shares will automatically convert into Shares immediately upon the [REDACTED], and all the special rights of the Series B [REDACTED] Investors described above will terminate upon the [REDACTED].

Name of investor	Date of investment (month/day/year)	Amount of consideration paid (US\$)	Price paid per Series B preference share of VideoMobile (US\$) <sup>(1)</sup>	Discount of price paid to the [REDACTED] (%) <sup>(1)(2)</sup>	Date of payment of consideration (month/day/year)	Number of Series B preference share of VideoMobile held	Shareholding upon [REDACTED] <sup>(3)</sup>	
							No. of Shares	Approx. %
AT&T <sup>(4)</sup>	10/26/2007	2,000,000.10	0.54	[REDACTED]	10/26/2007	3,703,704	[REDACTED]	[REDACTED]
Steamboat Ventures II <sup>(5)</sup>	10/26/2007	4,981,250.52	0.54	[REDACTED]	10/26/2007	9,224,538	[REDACTED]	[REDACTED]
Steamboat Ventures II Co-Investment Fund <sup>(5)</sup>	10/26/2007	18,749.88	0.54	[REDACTED]	10/26/2007	34,722	[REDACTED]	[REDACTED]
EDBI <sup>(6)</sup>	06/07/2010	3,240,000.00	0.54	[REDACTED]	06/07/2010	6,000,000	[REDACTED]	[REDACTED]
						18,962,964	[REDACTED]	[REDACTED]

#### Notes:

- All prices and numbers for Series B preference shares of VideoMobile have been adjusted for intervening share splits since their issuance. The consideration paid by the Series B [REDACTED] Investors was for the subscription of the Series B preference shares of VideoMobile prior to the occurrence of the Reorganization and Spin-off. Immediately upon completion of the Reorganization and Spin-off, the Series B [REDACTED] Investors held the Series B preference shares of, and have an interest in, VideoMobile (which in turn owns its subsidiaries, including VideoMobile PRC Entities) and our Company (which in turn holds our subsidiaries).
- Calculated on the assumption that the price paid per Series B preference share of VideoMobile is adjusted for the dilutive effect of the [REDACTED] and the [REDACTED] is HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED].
- Shares to be held upon conversion of Series B Preference Shares into Shares on the [REDACTED] and immediately following completion of the [REDACTED] and the [REDACTED] assuming no exercise of the [REDACTED] or the options that have been granted under the Pre-[REDACTED] Share Option Scheme or may be granted under the Post-[REDACTED] Share Option Scheme.
- AT&T is wholly owned by AT&T, Inc., a corporation listed on the New York Stock Exchange, and an Independent Third Party.
- Steamboat Ventures Manager II is the managing member of Steamboat Ventures II, and the general partner of Steamboat Ventures II Co-Investment Fund. John Ball is the managing member of Steamboat Ventures Manager II and is an Independent Third Party.
- EDBI is wholly owned by the Economic Development Board of Singapore, an Independent Third Party. EDBI Pte. Ltd. is the sole exclusive fund manager of EDBI and an Independent Third Party.



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### Series C [REDACTED] Investors

The table below sets forth a list of the Series C [REDACTED] Investors. The offering of Series C preference shares of VideoMobile was at a price of US\$0.90 per Series C preference share of VideoMobile, which was determined on arm's length basis between the parties. The total amount raised was US\$11.25 million. As a result of the Reorganization and Spin-off, the Series C [REDACTED] Investors received our Series C Preference Shares. All of our Series C Preference Shares will automatically convert into Shares immediately upon the [REDACTED], and all the special rights of the Series C [REDACTED] Investors described above will terminate upon the [REDACTED].

Name of investor	Date of investment (month/day/year)	Amount of consideration paid (US\$)	Price paid per Series C preference share of VideoMobile (US\$) <sup>(1)</sup>	Discount of price paid to the [REDACTED] (%) <sup>(1)(2)</sup>	Date of payment of consideration (month/day/year)	Number of Series C preference share of VideoMobile held	Shareholding upon [REDACTED] <sup>(3)</sup>	
							No. of shares	Approx. %
IPV <sup>(4)</sup>	12/30/2013	6,000,000.30	0.90	[REDACTED]	12/30/2013	6,666,667	[REDACTED]	[REDACTED]
Ivy Capital <sup>(5)</sup>	12/30/2013	3,000,000.60	0.90	[REDACTED]	12/30/2013	3,333,334	[REDACTED]	[REDACTED]
Social Leverage Capital Fund I, L.P.	02/10/2014	125,000.00	0.72 <sup>(6)</sup>	[REDACTED]	02/10/2014	173,611	[REDACTED]	[REDACTED]
Al Frugaletti, Trustee, Frugaletti Family Trust	04/24/2014	125,000.10	0.90	[REDACTED]	04/24/2014	138,889	[REDACTED]	[REDACTED]
Allen Debevoise	04/24/2014	50,000.00	0.72 <sup>(6)</sup>	[REDACTED]	02/10/2014	69,445	[REDACTED]	[REDACTED]
Nicholas G. Moore and Jo Anne Moore, Trustees, Nicholas G. and Jo Anne Moore Revocable Trust dated July, 1988	04/24/2014	50,000.40	0.90	[REDACTED]	04/24/2014	55,556	[REDACTED]	[REDACTED]
Steamboat Ventures II <sup>(7)</sup>	04/24/2014	99,624.60	0.90	[REDACTED]	04/24/2014	110,694	[REDACTED]	[REDACTED]
Steamboat Ventures II Co-Investment Fund <sup>(8)</sup>	04/24/2014	375.30	0.90	[REDACTED]	04/24/2014	417	[REDACTED]	[REDACTED] <sup>(10)</sup>
VideoRec LLC <sup>(8)</sup>	04/24/2014	301,500.00	0.90	[REDACTED]	04/24/2014	335,000	[REDACTED]	[REDACTED]
HK Sai Cheng Lian Investment Limited <sup>(9)</sup>	07/23/2014	1,500,000.30	0.90	[REDACTED]	07/23/2014	1,666,667	[REDACTED]	[REDACTED]
						12,550,280	[REDACTED]	[REDACTED]

#### Notes:

- The consideration paid by the Series C [REDACTED] Investors was for the subscription of the Series C preference shares of VideoMobile prior to the occurrence of the Reorganization and Spin-off. Immediately upon completion of the Reorganization and Spin-off, the Series C [REDACTED] Investors held the Series C preference shares of, and have an interest in, VideoMobile (which in turn owns its subsidiaries, including VideoMobile PRC Entities) and our Company (which in turn owns our subsidiaries).
- Calculated on the assumption that the price paid per Series C preference share of VideoMobile is adjusted for the dilutive effect of the [REDACTED] and the [REDACTED] is HK\$[REDACTED] per [REDACTED], being the mid-point of the [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED].
- Shares to be held upon conversion of Series C Preference Shares into Shares on the [REDACTED] and immediately following completion of the [REDACTED] and the [REDACTED] assuming no exercise of the [REDACTED] or the options that have been granted under the Pre-[REDACTED] Share Option Scheme or may be granted under the Post-[REDACTED] Share Option Scheme.
- IPV is owned as to 59.7% by IPV Capital II, L.P. and 40.3% by IPV Capital II-S, L.P. IPV Management II, L.P. is the general partner of IPV Capital II, L.P. and IPV Capital II-S, L.P. The general partner of IPV Management II, L.P. is IPV Management II, Ltd., which is owned as to 50% by Tingru Liu and 50% by Terence Eng Chuan Tan, whom are Independent Third Parties.
- Ivy Capital is wholly-owned by Ivy Capital China Fund II CP, whose general partner is Ivy Capital GP Ltd., an Independent Third Party.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

6. VideoMobile issued its Series C preference shares at a 20% discount to holders of Blayze promissory notes aggregating US\$175,000 in February 2014 in exchange for cancellation of such notes which VideoMobile assumed.
7. Steamboat Ventures Manager II is the managing member of Steamboat Ventures II and the general partner of Steamboat Ventures II Co-Investment Fund. John Ball is the managing member of Steamboat Ventures Manager II and is an Independent Third Party.
8. VideoRec LLC is owned as to 95% by Mr. Wargo, a non-executive Director, and as to 5% by his brother Mr. Robert Wargo.
9. HK Sai Cheng Lian Investment Limited is a venture capital fund with Bin Chen as its the managing director, each an Independent Third Party.
10. Steamboat Ventures II Co-Investment Fund will hold 0.0004% Shares upon [REDACTED].

### Series D [REDACTED] Investors

The table below sets forth a list of the holders of Series D [REDACTED] Investors. The offering of Series D preference shares of VideoMobile was at a price of US\$1.75 per Series D preference shares of VideoMobile, which was determined on arm's length basis between the parties. VideoMobile initially issued its Series D preference shares in January 2015, with an imputed value of US\$5,000,000 as partial consideration for its acquisition of the Conventional PPT business of Rentrak. The total amount raised was US\$17.1 million. As a result of the Reorganization and Spin-off, the Series D [REDACTED] Investors received our Series D Preference Shares. All of our Series D Preference Shares will automatically convert into Shares immediately upon the [REDACTED], and all the special rights of the Series D [REDACTED] Investors described above will terminate upon the [REDACTED].

Name of investor	Date of investment (month/day/year)	Amount of consideration paid (US\$)	Price paid per Series D preference shares of VideoMobile (US\$) <sup>(1)</sup>	Discount/ (Premium) of price paid to the [REDACTED] (%) <sup>(1)(2)</sup>	Date of payment of consideration (month/day/year)	Number of Series D preference shares of VideoMobile held	Shareholding upon [REDACTED] <sup>(3)</sup>	
							No. of Shares	Approx. %
Rentrak <sup>(4)</sup>	01/31/2015	5,000,000.25	1.75	[REDACTED]	01/31/2015	2,857,143	[REDACTED]	[REDACTED]
Cybernaut <sup>(5)</sup>	06/26/2015	2,000,001.50	1.75	[REDACTED]	06/26/2015	1,142,858	[REDACTED]	[REDACTED]
Leading Season <sup>(6)</sup>	07/22/2016	10,000,000.50	1.75	[REDACTED]	07/22/2016	5,714,286	[REDACTED]	[REDACTED]
Robert S. Silberman, Trustee, The Robert S. Silberman Revocable Trust	08/10/2015	50,001.00	1.75	[REDACTED]	08/10/2015	28,572	[REDACTED]	[REDACTED]
Robert S. Silberman, Trustee, The Timshel Trust	08/10/2015	50,001.00	1.75	[REDACTED]	08/10/2015	28,572	[REDACTED]	[REDACTED]
						9,771,431	[REDACTED]	[REDACTED]

#### Notes:

1. The consideration paid by the Series D [REDACTED] Investors was for the subscription of the Series C preference shares of VideoMobile prior to the occurrence of the Reorganization and Spin-off. Immediately upon completion of the Reorganization and Spin-off, the Series D [REDACTED] Investors held both the Series D preference shares of, and have an interest in, VideoMobile (which in turn owns its subsidiaries, including VideoMobile PRC Entities) and our Company (which in turn owns our subsidiaries).
2. Calculated on the assumption that the price paid per Series D preference share of VideoMobile is adjusted for the dilutive effect of the [REDACTED] and the [REDACTED] is HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED].
3. Shares to be held upon conversion of Series A Preference Shares into Shares on the [REDACTED] and immediately following completion of the [REDACTED] and the [REDACTED] assuming no exercise of the [REDACTED] or the options that have been granted under the Pre-[REDACTED] Share Option Scheme or may be granted under the Post-[REDACTED] Share Option Scheme.
4. Rentrak is owned by comScore, Inc., a corporation listed on NASDAQ (Ticker Symbol: SCOR), which is an Independent Third Party.
5. Cybernaut Westlake Partners LLC is a venture capital fund owned by Mr. Bin Chen and Mr. Xin Huang, each an Independent Third Party.
6. Leading Season is owned as to 50% by Huimin Wang and 50% by Xiaojun Yao, who are Independent Third Parties.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Public Float

Immediately prior to the completion of the [REDACTED] and the [REDACTED], Mr. Wang, Steamboat II and Leading Season hold Shares comprising approximately 18.07%, 11.25% and 10.46%, respectively of the issued share capital of our Company, but without taking into account any Shares issuable upon the exercise of any options that have been granted under the Pre-[REDACTED] Share Option Scheme. Upon the completion of the [REDACTED] (assuming the [REDACTED] and options granted under the Pre-[REDACTED] Share Option Scheme and the Post-[REDACTED] Share Option Scheme are not exercised, the Pre-[REDACTED] Investors will collectively hold a total of [REDACTED]% of the enlarged issued share capital of our Company and no individual Pre-[REDACTED] Investor (other than Mr. Wang who will hold [REDACTED]%) will hold 10% or more of the enlarged issued share capital of our Company. As a result, the Shares held by the Pre-[REDACTED] Investors will count towards the public float. All the Pre-[REDACTED] Investors other than Mr. Wang are Independent Third Parties of our Group).

### Information on the [REDACTED] Investors

[REDACTED] Investors collectively own 61.34% of the issued share capital of our Company immediately prior to completion of the [REDACTED] and the [REDACTED] and before the [REDACTED]. The following are the [REDACTED] Investors who hold 5% or more of the issued share capital of our Company immediately prior to completion of the [REDACTED] and the [REDACTED].

Mr. Wang is our chief executive officer and an executive Director. For his biography, see the section headed "Directors and Senior Management" of this [REDACTED].

Steamboat is a venture capital fund.

Leading Season is an international business company incorporated in Seychelles focusing on investments.

Mr. Lu is a technologist who served as the chief technology officer of VideoMobile from 2006 to 2008 and an employee from 2006 to 2010.

IPV is a venture capital fund with headquarters in Shanghai.

EDBI is the investment arm of the Economic Development Board of the government of Singapore.

Mr. Altman is a non-executive Director and an advisory partner in Bain & Company, Inc.. For his biography, see the section headed "Directors and Senior Management" of this [REDACTED].

### Compliance with Interim Guidance and Guidance Letters

The Sponsor confirms that the investment by the [REDACTED] Investors is in compliance with the Guidance Letter HKEx-GL29-12 issued in January 2012 by the Stock Exchange, Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 by the Stock Exchange and Guidance Letter HKEx-GL44-12 issued in October 2012 by the Stock Exchange.

### ACQUISITIONS DURING THE TRACK RECORD PERIOD

We made one asset acquisition and one business acquisition during the Track Record Period, namely, acquiring the substantially all of the assets of Blayze in February 2014 and acquiring the Conventional PPT business from Rentrak in January, 2016.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Blayze

VideoMobile, our then ultimate holding company, through Vobile US, made its first acquisition on February 10, 2014, acquiring substantially all of the assets, consisting of some software and product concepts, from Blayze, an independent third party in an arm's length transaction pursuant to an asset purchase agreement in exchange for consideration valued at approximately US\$345,000 as described below. In addition, pursuant to the acquisition, two key employees of Blayze joined Vobile US. As consideration for the acquisition, VideoMobile (a) issued the shareholders of Blayze a net of 167,955 ordinary shares of VideoMobile with an attributed value of US\$30,000, (b) assumed US\$140,000 of Blayze notes which were paid one year later, and (c) issued 243,056 Series C preference shares in exchange for cancellation of US\$175,000 of Blayze notes held by Blayze investors, at US\$0.72 per share representing a 20.0% discount off the investor price of US\$0.90 per share. No approvals from governmental authorities were required, sought or obtained for the Blayze asset acquisition, which has been properly and legally completed and settled on February 10, 2014. For accounting presentation purpose, the transaction was accounted for as an asset purchase.

### Rentrak

VideoMobile, our then ultimate holding company made its second acquisition during the Track Record Period, also via Vobile US, on January 31, 2015, pursuant to an asset purchase agreement, acquiring the Conventional PPT business from Rentrak, a publicly traded NASDAQ company and an independent third party, which was subsequently acquired by comScore, Inc., a publicly traded NASDAQ company and an independent third party.

As part of the acquisition process, Vobile US also acquired LRC, Vobile Canada, and Vobile LLC. The acquisition was made in exchange for a total consideration of US\$9.0 million, which was negotiated at arm's length between our Company and Rentrak, consisting of approximately 2.85 million Series D preference shares, which the parties valued at US\$5 million or US\$1.75 per share (which was the same price Series D preference shares were subsequently sold to third parties during the following six months); US\$1 million of cash; US\$1 million of Rentrak notes, which have been subsequently paid; and a working capital adjustment amounting to US\$2.0 million. No approvals from government authorities were required, sought, or obtained for the Conventional PPT acquisition, which has been properly and legally completed and settled on January 31, 2015. For accounting presentation purpose, the transaction was accounted for as a business acquisition on our management account. For financial information of the acquired business for and as of the end of 2014 and January 2015, see note 26 in the Accountants' Report.

When we acquired the Conventional PPT business, we were aware that the Conventional PPT business is a declining business. Nevertheless, this acquisition was made primarily to allow us to take advantage of customer synergies and the PPT revenue-sharing model and its underlying technology to expand our Online PPT offerings. This acquisition enabled our Group to expand our current AVOD PPT platform customer base from owners of short-form content to owners of premium film and TV content owners so that we can expand our current AVOD PPT platform capability from primarily claiming advertising revenue to facilitating video distribution on AVOD sites. This acquisition also enabled our Group to launch its TVOD PPT platform that facilitates online video distribution to TVOD sites. This is because the customer point of contact is often similar between the Conventional PPT and Online PPT platforms. Further, the data measurement and auditing methodology and content distribution rights negotiation expertise from operating the Conventional PPT business are applicable to our TVOD PPT business.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### PRE-[REDACTED] SHARE OPTION SCHEME

Our Company adopted the Pre-[REDACTED] Share Option Scheme on December 30, 2016 under which the Pre-[REDACTED] Options to subscribe for our Shares were granted to certain directors, senior management members and employees of and consultants to our Group. For more details of the Pre-[REDACTED] Share Option Scheme, see the section headed “Statutory and General Information – Other Information – Pre-[REDACTED] Share Option Scheme” in Appendix IV to this [REDACTED].

### POST-[REDACTED] SHARE OPTION SCHEME

Our Company has conditionally adopted the Post-[REDACTED] Share Option Scheme under which options to subscribe for our Shares may be granted to the employees (full-time or part-time) and directors of, and consultants and advisors to, our Group. For more details of the Post-[REDACTED] Share Option Scheme, see the section headed “Statutory and General Information – Other Information – Post-[REDACTED] Share Option Scheme” in Appendix IV to this [REDACTED].

### SEPARATED OPERATIONS

As part of the Reorganization, our Group was spun-off from certain other companies formerly comprising the Vobile group companies, including our Group’s then ultimate parent entity, VideoMobile, as well as VideoMobile BVI, which in turn holds directly or indirectly the four VideoMobile PRC Entities.

The separated operations primarily engage, through VideoMobile PRC Entities, in developing and offering video content filtering systems for purposes of facilitating legal compliance security in the PRC. Major targeted customers of its business are mainly broadcasting television companies which are state-owned and governmental agencies. The completion of the sale of the controlling interest of VideoMobile to a PRC-established investment fund, expected by September 2017, will enable VideoMobile to ramp up its sales effort and operating scale in the relevant area. Given that the scope and nature of the separated operations are different from those conducted by the Group and in light of the plan to dispose of the controlling interest in the separated operations to a PRC-based Independent Third Party so the two different businesses can pursue separate development prospects, as part of our Reorganization, we have spun-off the separated business from our Group. See “– Our Reorganization.”

Vobile Singapore, a subsidiary of VideoMobile with no material operations, has applied for striking off and dissolution under section 344A of the Companies Act (Chapter 50) of Singapore which is expected to become effective in July 2017.

### VideoMobile

VideoMobile, formerly known as Vobile Co., Ltd., a Cayman Islands exempted company with limited liability, was formed on July 18, 2005. Prior to the Reorganization, VideoMobile was the ultimate holding company of our Group, including the Operating Subsidiaries, as well as VideoMobile BVI and the VideoMobile PRC Entities. Following the completion of the Reorganization, VideoMobile holds VideoMobile BVI, which in turn holds directly or indirectly the four VideoMobile PRC Entities. VideoMobile expects to sell slightly more than a 50% stake to an Independent Third Party, who is not a Company shareholder, prior to the [REDACTED]. It has no employees or meaningful operations.

## **HISTORY, REORGANIZATION AND CORPORATE STRUCTURE**

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### **VideoMobile BVI**

VideoMobile BVI, a British Virgins Islands company with limited liability, was formed on December 16, 2005, as part of the formation of the initial Vobile family of companies. VideoMobile BVI is a holding company that was created to help organize and manage certain international subsidiaries. Since its formation, it has been wholly owned by VideoMobile. VideoMobile BVI currently owns directly or indirectly the four VideoMobile PRC Entities and is not part of our Group. It has no employees or meaningful operations.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### VideoMobile PRC Entities

VideoMobile via VideoMobile BVI held the four VideoMobile PRC Entities, none of which remained within our Group following the Reorganization. The VideoMobile PRC Entities have, since their respective formations, been wholly owned by VideoMobile via VideoMobile BVI. VideoMobile PRC Entities primarily engage in developing and offering video content filtering systems for purposes of facilitating legal compliance security in the PRC. Major targeted customers of its business are mainly broadcasting television companies which are state-owned and governmental agencies. The completion of the sale of the controlling interest of VideoMobile to a PRC-established investment fund, expected by September 2017, will enable VideoMobile to ramp up its sales effort and operating scale in the relevant area.

Prior to the Reorganization, starting in January 2007, Vobile US and VideoMobile, via VideoMobile PRC Entities, developed VDNA and other technologies through a cost sharing arrangement. We deemed this transaction as an intra-group transaction, and the transaction was conducted on an arm's length basis, with each party bearing a portion of the total expenses proportionate to the benefits the party obtained, with Vobile US having exclusive rights to VDNA in the US and VideoMobile having exclusive rights to VDNA outside the US. As part of the Reorganization, we entered into the Intellectual Property Agreement under which VideoMobile assigned its rights to our Company except for retaining a non-exclusive license in the PRC. See "Our Reorganization."

### DEED OF NON-COMPETITION

VideoMobile after the Reorganization owned solely the PRC Entities and had the identical ownership as our Company. However, since then it has sold a majority stake to a person who is not currently a Company shareholder. As a result, Company shareholders hold a minority position in VideoMobile. Mr. Wang has the largest shareholding in VideoMobile of any Company shareholders, which is approximately 9.0%. He remains a director of VideoMobile but is no longer an employee or officer.

While our Directors consider that there is a clear delineation between the business of our Group and that of VideoMobile and its subsidiaries and VideoMobile does not and will not pose any direct or indirect competition with our Group, VideoMobile has entered into the Deed of Non-competition in favor of us, as part of the Reorganization.

Pursuant to the Deed of Non-competition, VideoMobile has undertaken that, among other things:

- (a) it will not, and shall procure that its subsidiaries will not, whether as a principal or agent and whether undertaken directly or indirectly (including through any corporate, partnership, joint venture or other contractual arrangement) and whether for profit or otherwise, carry on, engage, invest, participate or otherwise be interested in any business offering SaaS solutions to content owners as described in the [REDACTED] that is currently or intended to be carried on by us, in any part of the world (the "**Restricted Business**");
- (b) it shall not, and shall procure that its subsidiaries will not, exploit its knowledge or information or technology obtained from us to compete, directly or indirectly, with the Restricted Business currently carried on and as may be carried on by us from time to time;

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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- (c) it will not, and shall procure that its subsidiaries will not, directly or indirectly, take any other action which constitutes an intentional undue interference with or a disruption of the Restricted Business currently carried on and as may be carried on by our Group from time to time;
- (d) in the event that it or any of its subsidiaries is offered or becomes aware of any business investment or commercial opportunity directly or indirectly relating to a Restricted Business, it:
  - (i) shall promptly notify us in writing and refer such business investment or commercial opportunity to us for consideration and provide such information as may be reasonably required by us in order to make an informed assessment of such business investment or commercial opportunity; and
  - (ii) shall not, and shall procure that its subsidiaries will not, invest or participate in any such business investment or commercial opportunity unless such business investment or commercial opportunity shall have been rejected by us in writing and the principal terms of which VideoMobile or its subsidiaries invest or participate are no more favorable than those made available to us and such terms shall be fully disclosed to us prior to consummation of such rejected opportunities;
- (e) it shall not and shall procure that none of its subsidiaries will:
  - (i) at any time induce or attempt to induce any director, manager or employee or consultant of any member of us to terminate his or her employment or consultancy (as appropriate) with us, whether or not such act of that person would constitute a breach of that person's contract of employment or consultancy (as appropriate); or
  - (ii) alone or jointly with any other person, as principal or agent for or shareholder in any person, firm or company, in competition, directly or indirectly, with any member of us, (1) canvass, solicit or accept orders from or do business with any person in relation to the Restricted Business with whom any member of our Group has done business in relation to the Restricted Business or (2) solicit or persuade any person who has dealt with us, or is in the process of negotiating with us, in relation to the Restricted Business (a) to cease to deal with us, in relation to the Restricted Business or (b) to reduce the amount of business in relation to the Restricted Business which the person would normally do with us or (c) to seek to improve their terms of trade with any member of us in relation to the Restricted Business;
- (f) the independent non-executive directors will review, on an annual basis, VideoMobile's compliance with the Deed of Non-competition. The decisions on matters reviewed by our independent non-executive directors relating to the compliance with and the enforcement of the Deed of Non-competition (if any) will be disclosed in our annual report or, where our Board considers it appropriate, by way of an announcement. The disclosure on how the Deed of Non-competition was complied with and enforced is consistent with the principles of making voluntary disclosures in the Corporate Governance Report to be contained in our annual report pursuant to the [REDACTED].



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The Deed of Non-competition is effective from the [REDACTED] to the date on which our Shares cease to be [REDACTED] on the Stock Exchange.

The Deed of Non-competition shall not restrict VideoMobile (or any of its associates), either by itself or any other person, from holding interests in the shares of a company which is [REDACTED] on a recognized stock exchange provided that:

- (a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 5% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
- (b) the total number of the shares held by VideoMobile and/or its associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and VideoMobile and/or its associates are not entitled to appoint a majority of the directors of that company and/or at any time, there should exist at least another shareholder of the company who holds more shares in the company than VideoMobile and/or its associates in aggregate.

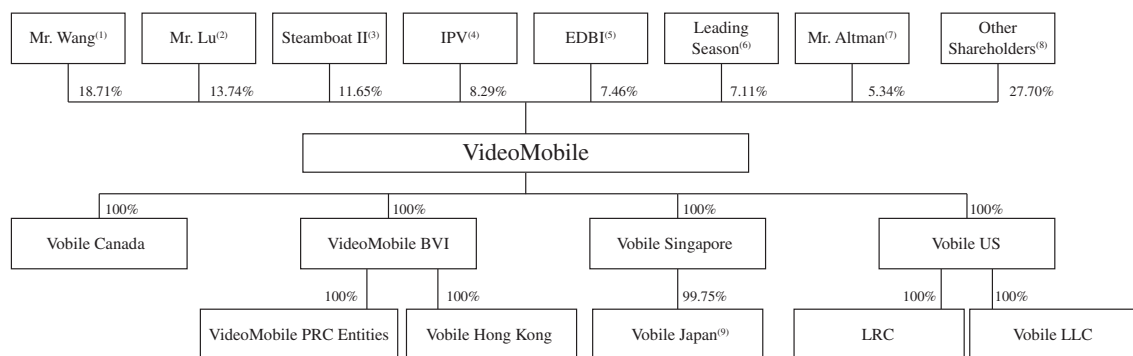
## OUR REORGANIZATION

### Our Company

#### General

In contemplation of the [REDACTED], we underwent a reorganization to implement a structure whereby our Company became the holding company of our Group, by having our Company and our Group spun-out from a previously larger group of companies.

The following diagram illustrates the shareholding and corporate structure of our Group immediately prior to the Reorganization:



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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*Notes:*

1. Shares owned by Mr. Wang includes shares owned by him individually and as trustee of the JYW Trust and the YBW Trust.
2. Mr. Lu is a technologist who served as the chief technology officer of VideoMobile from 2006 to 2008 and an employee from 2006 to 2010.
3. Steamboat Ventures Manager II is the managing member of Steamboat Ventures II, and the general partner of Steamboat Ventures II Co-Investment Fund. John Ball is the managing member of Steamboat Ventures Manager II and is an Independent Third Party.
4. IPV is owned as to 59.7% by IPV Capital II, L.P. and 40.3% by IPV Capital II-S, L.P. IPV Management II, L.P. is the general partner of IPV Capital L.P. and IPV Capital II-S, L.P. The general partner of PIV Management II, L.P. is IPV Management II, Ltd., which is owned as to 50% by Tingru Liu and 50% by Terence Eng Chuan Tan, who are Independent Third Parties.
5. EDBI is wholly owned by the Economic Development Board of Singapore, each an Independent Third Party. EDBI Pte. Ltd. is the sole exclusive fund manager of EDBI, and an Independent Third Party.
6. Leading Season is owned as to 50% by Huimin Wang and 50% by Xiaojun Yao, who are Independent Third Parties.
7. Shares owned by Mr. Altman include shares owned by Mr. Altman individually and as trustee of the Altman Family Trust UDT dated January 28, 1998, a revocable trust of which Mr. Altman and his wife are the sole trustors and trustees, and while they are both alive, the sole beneficiaries.
8. None of the other Shareholders, individually or collectively with their associates, own more than 5% of the issued share capital of our Company before the [REDACTED].
9. Vobile Japan is owned as to 0.25% by Mr. Mitsuru Ohki, a director of Vobile Japan.

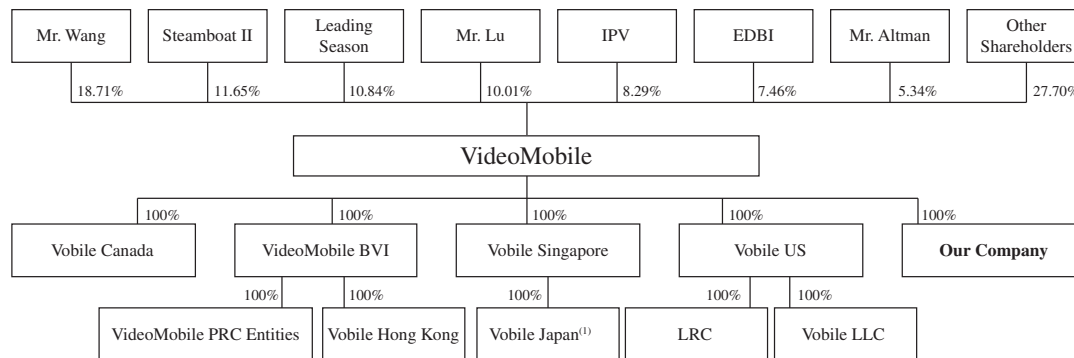
Our Directors confirm that no approvals from government authorities were required, sought, or obtained and that the Reorganization complies with relevant laws and regulations of the relevant jurisdictions. The steps of the reorganization are set out below.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

As part of the Reorganization, on December 3, 2016, our Company entered into an intellectual property agreement with VideoMobile. Absent this agreement, VideoMobile would have continued to own exclusive rights to intellectual property of our Group for use outside the US. Under this agreement, VideoMobile assigned to our Company all of its intellectual property rights at nil consideration and VideoMobile retained a royalty-free non-exclusive license, for the PRC only, covering certain key technologies (primarily VDNA) and databases of our Company and the PRC Entities retained ownership of intellectual property they had developed and used solely within the PRC. This license does not cover future enhancements which our Company may make nor does it cover our Company's main revenue generating products, VideoTracker or Conventional PPT or Online PPT. As this license is non-exclusive, it does not limit our Company's ability to conduct business in the PRC. Although we would be able to pursue whatever business we desire in the PRC, it is expected that our Company would not pursue business in business sectors which required it to be majority owned, or in some cases fully owned, by PRC residents either by law or the PRC custom and practice.

### 1. Incorporation of our Company

We were incorporated in the Cayman Islands under the Companies Law as an exempted company and a wholly-owned subsidiary of VideoMobile on July 28, 2016. We issued 1,000 ordinary shares of par value US\$0.01 to VideoMobile in exchange for US\$10.



#### Notes:

1. Vobile Japan is owned as to 0.25% by Mr. Mitsuru Ohki, a director of Vobile Japan.

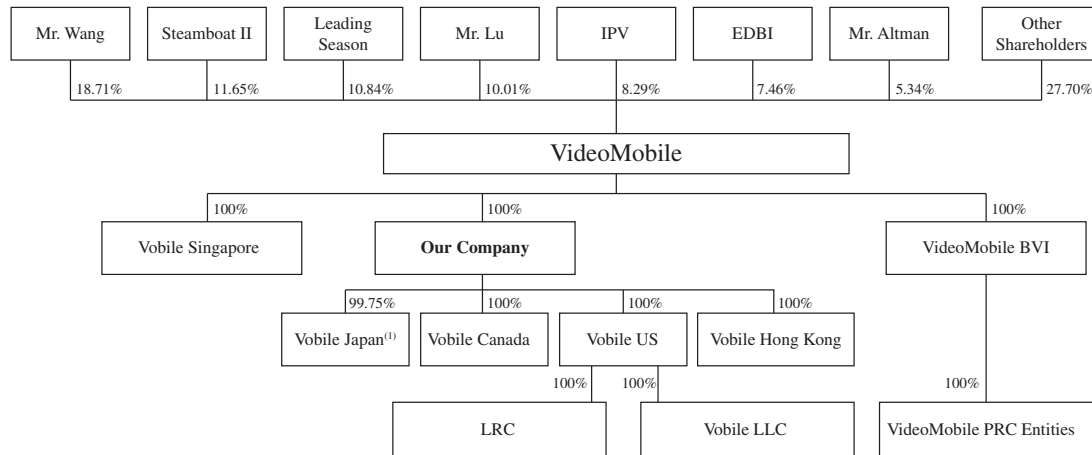
### 2. Formation of our Group

On July 29, 2016, we acquired the Operating Subsidiaries consisting of Vobile US and its subsidiaries, Vobile Canada, Vobile Hong Kong and Vobile Japan (except for 0.25% of Vobile Japan) from VideoMobile, VideoMobile BVI, and Vobile Singapore, for the nominal consideration of US\$1.00 per Operating Subsidiary. Upon completion of these four transactions, the Operating Subsidiaries all became wholly-owned subsidiaries of ours (except for Vobile Japan which became owned as to 99.75% by our Company and remained owned as to 0.25% by Mr. Mitsuru Ohki).

1. Vobile Singapore, as the holder of record, agreed to sell 99.75% of the outstanding shares of Vobile Japan to us for US\$1.00 and VideoMobile, as the beneficial owner, consented to such sale. The other 0.25% of the outstanding shares of Vobile Japan remained owned by Mr. Mitsuru Ohki.
2. VideoMobile BVI agreed to sell all of the outstanding shares of Vobile Hong Kong to us for US\$1.00.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- 3 VideoMobile agreed to sell all of the outstanding shares of Vobile US to us for US\$1.00.
- 4 VideoMobile agreed to sell all of the outstanding shares of Vobile Canada to us for US\$1.00.



*Notes:*

1. Vobile Japan is owned as to 0.25% by Mr. Mitsuru Ohki, a director of Vobile Japan.

### 3. Spin-off of our Group from VideoMobile

On January 1, 2017, VideoMobile made a pro rata distribution to its shareholders *in specie* of all of our ordinary and preference shares that VideoMobile owned. The actions leading up to the distribution *in specie* were as follows:

- 1 The board of directors of VideoMobile approved various matters relating to the reorganization on November 19, 2016, including amendment of the articles of association to allow a pro rata distribution *in specie* (the “**Distribution**”) of our Shares and Preference Shares owned by VideoMobile to its shareholders and an amendment of the IRA to terminate all rights and obligations under the IRA, including the termination of each of the special rights granted to the holders of the Preference Shares under the IRA upon the [REDACTED], but requiring that the shareholders remain bound by the Lock-Up. The shareholders of VideoMobile approved such amendments to the articles of association of VideoMobile by a resolution they approved at a meeting held on November 29, 2016. VideoMobile and the requisite shareholders entered into the IRA amendment on November 29, 2016.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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- 2 Our Board and VideoMobile, as the then sole shareholder of our Company, by written resolution on December 2, 2016, caused our capital structure in its memorandum and articles of association to be amended to mirror that of the VideoMobile so that our Company would have the same Preference Share capital, and the same numbers and class and series of Preference Shares, as VideoMobile had preference shares. Pursuant to the written resolution, our Company also (a) effected a one hundred-for-one (100:1) stock division/split, bringing the outstanding Shares to 100,000 Shares and making their par value US\$0.0001 per share, (b) increased its authorized ordinary shares to eight billion, and (c) designated 60,000,000 Preference Shares as 9,809,530 Series A Preference Shares, 18,962,964 Series B Preference Shares, 12,619,724 Series C Preference Shares and 18,607,782 Series D Preference Shares, by written resolutions of our Board and of VideoMobile, as the then sole shareholder of our Company, adopted on December 2, 2016.

The Preference Shares were authorized with rights, preferences, and privileges which were less than those of VideoMobile as described above in the section headed "History – [REDACTED] Investments – Rights of the [REDACTED] Investors – Rights granted by our Company".

- 3 At its board of directors meeting held on December 1, 2016, the VideoMobile board approved several matters ancillary to the Distribution including the treatment of options described in item 6 below.
- 4 VideoMobile option holders were given prior notice of the Distribution and a chance to exercise their vested options on or before the December 2, 2016, close of business record date for the Distribution. They were told that if they did not exercise their options, their VideoMobile options would be adjusted so that they cover a number of VideoMobile options equal to the ratio (the "**Ratio**") of the value of VideoMobile immediately prior to the Spin-off of our Company divided by the value of VideoMobile immediately following such Spin-off, which the Board determined as 5:1, and the exercise price of their VideoMobile options would be adjusted to be the current exercise price of such options divided by the Ratio. As described above, on or before December 2, 2016, 32 optionees exercised an aggregate of 2,881,321 VideoMobile options in exchange for payment of the aggregate exercise price of US\$337,504.00.
- 5 On December 2, 2016, our Company issued to VideoMobile 32,099,429 Shares, 9,809,530 Series A Preference Shares, 18,962,964 Series B Preference Shares, 12,550,280 Series C Preference Shares, and 9,771,431 Series D Preference Shares at their par value of US\$0.0001 each, which were in addition to the 100,000 Shares already owned by VideoMobile, so that VideoMobile held the same number and class and series of shares as are outstanding and held by VideoMobile's shareholders.
- 6 On December 3, 2016, our Company and VideoMobile entered into a series of agreements to effect the Distribution on December 23, 2016, including a Spinoff Agreement, Transition Services Agreement, and Intellectual Property Agreement. Under the Spinoff Agreement, certain assets and liabilities and agreements of VideoMobile were assigned to and assumed by our Company on

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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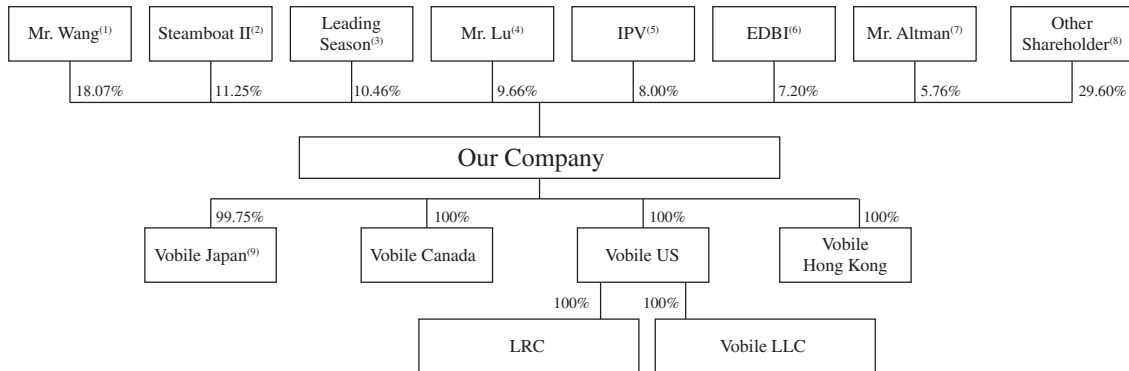
December 3, 2016. Under the Transition Services Agreement, at our request, VideoMobile agreed to provide up to US\$500,000 worth of software support and related implementation services during 2017 on a cost plus 10.0% basis, with our Company to own the work product. Under the Intellectual Property Agreement, we obtained ownership of all intellectual property of VideoMobile and VideoMobile PRC except that VideoMobile retained a non-exclusive license to VDNA and VDNA database for use solely in the PRC and VideoMobile PRC retained certain intellectual property it had developed which had only been exploited in the PRC.

- 7 On December 22, 2016, our Board and the board of directors of VideoMobile, as our sole shareholder, approved amendments to our Memorandum and Articles of Association to change our name from Vobile Limited to Vobile Group Limited 阜博集團有限公司 and to reduce the liquidation and dividend preferences of the Series A, B, C, and D Preference Shares by 20.0%, so that they were 80.0% of liquidation and dividend preferences of the corresponding shares of VideoMobile prior to the Reorganization. (The liquidation and dividend preferences of the VideoMobile Series A, B, C, and D preference shares are being reduced by 80.0%, so that they are 20.0% of liquidation and dividend preferences of the corresponding shares of VideoMobile prior to the Reorganization).
- 8 On December 22, 2016, VideoMobile and our Company amended the Spinoff Agreement to delay the distribution of our shares owned by VideoMobile from December 23, 2016, to January 1, 2017, in order to move the distribution to the start of their 2017 fiscal year.
- 9 On December 30, 2016, our Board approved, effective January 1, 2017, an increase in the number of authorized directors from one to four and the election of Mr. Altman, Mr. Liu, and Mr. Wargo to fill the resulting vacancies.
- 10 On January 1, 2017, VideoMobile distributed our ordinary shares and Preference Shares it owned to its shareholders as follows:
  - A. one Share for every VideoMobile ordinary share held,
  - B. one Series A Preference Share for every VideoMobile Series A preference share held,
  - C. one Series B Preference Share for every VideoMobile Series B preference share held,
  - D. one Series C Preference Share for every VideoMobile Series C preference share held, and
  - E. one Series D Preference Share for every VideoMobile Series D preference share held.
- 11 At the end of April, 2017, our Company and VideoMobile entered into an amendment to their December 3, 2016, Intellectual Property Agreement to clarify the limited scope of the license retained by VideoMobile in exchange for its intellectual property assignment to us.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### OUR STRUCTURE IMMEDIATELY PRIOR TO THE [REDACTED] AND THE [REDACTED]

The following diagram illustrates the corporate and shareholding structure of our Group immediately prior to the completion of the [REDACTED] (assuming that the [REDACTED] has not been exercised and without taking into account of Shares which may be issued upon the exercise of the options which have been granted under the Pre-[REDACTED] Share Option Scheme and which may be granted under the Post-[REDACTED] Share Option Scheme):



#### Notes:

1. Shares owned by Mr. Wang include Shares owned by him individually and as trustee of the JYW Trust and the YBW Trust.
2. Steamboat Ventures Manager II is the managing member of Steamboat Ventures II, and the general partner of Steamboat Ventures II Co-Investment Fund. John Ball is the managing member of Steamboat Ventures Manager II and is an Independent Third Party.
3. Leading Season is owned as to 50% by Huimin Wang and 50% by Xiaojun Yao, who are Independent Third Parties.
4. Mr. Lu is a technologist who served as the chief technology officer of VideoMobile from 2006 to 2008 and an employee from 2006 to 2010.
5. IPV is owned as to 59.7% by IPV Capital II, L.P. and 40.3% by IPV Capital II-S, L.P. IPV Management II, L.P. is the general partner of IPV Capital L.P. and IPV Capital II-S, L.P. The general partner of PIV Management II, L.P. is IPV Management II, Ltd., which is owned as to 50% by Tingru Liu and 50% by Terence Eng Chuan Tan, who are Independent Third Parties.
6. EDBI is wholly owned by the Economic Development Board of Singapore, each an Independent Third Party. EDBI Pte. Ltd. is the sole exclusive fund manager of EDBI, and an Independent Third Party.
7. Shares owned by Mr. Altman include shares owned by Mr. Altman individually and as trustee of the Altman Family Trust UDT dated January 28, 1998, a revocable trust of which Mr. Altman and his wife are the sole trustors and trustees, and while they are both alive, the sole beneficiaries.
8. None of the Other Shareholders, individually or collectively with their associates, own more than 5% of our Company before the [REDACTED].
9. Vobile Japan is owned as to 0.25% by Mr. Mitsuru Ohki, a director of Vobile Japan.

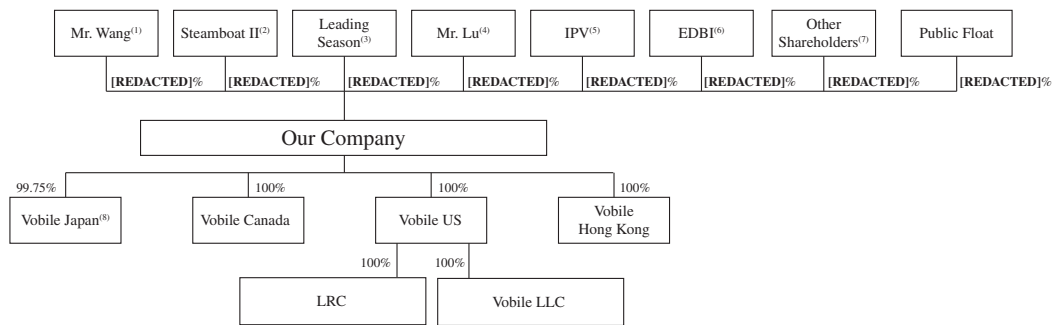


## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### 4. [REDACTED] and [REDACTED]

#### OUR STRUCTURE IMMEDIATELY FOLLOWING THE [REDACTED] AND THE [REDACTED]

The following diagram illustrates the shareholding and corporate structure of our Group after the above Reorganization steps and immediately following completion of the [REDACTED] and the [REDACTED], assuming that the [REDACTED] has not been exercised and without taking into account any Shares which may be issued upon the exercise of the options which have been granted under the Pre-[REDACTED] Share Option Scheme and which may be granted under the Post-[REDACTED] Share Option Scheme.



#### Notes:

- Shares owned by Mr. Wang include Shares owned as trustee of the JYW Trust and the YBW Trust.
- Mr. Lu is a technologist who served as the chief technology officer of VideoMobile from 2006 to 2008 and an employee from 2006 to 2010.
- Steamboat Ventures II is a limited liability company organized under the laws of the state of Delaware of the US. Steamboat Ventures Manager II is the managing member of Steamboat Ventures II. Steamboat Ventures Manager II is also the general partner of Steamboat Ventures II Co-Investment Fund, a limited liability partnership established under the laws of the state of Delaware of the US. Steamboat Ventures II and Steamboat Ventures II Co-Investment Fund will hold [REDACTED] Shares and [REDACTED] Shares, respectively, immediately following the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED], or any options which have been granted under the Pre-[REDACTED] Share Option Scheme and may be granted under the Post-[REDACTED] Share Option Scheme are not exercised), and Steamboat Ventures Manager II is deemed to be interested in [REDACTED] Shares in aggregate held by Steamboat Ventures II, LLC and Steamboat Ventures II Co-Investment Fund. John Ball is the managing member of Steamboat Ventures Manager II. Under the SFO, Steamboat Ventures Manager II and John Ball are deemed to be interested in the Shares held by Steamboat Ventures II and Steamboat Ventures II Co-Investment Fund.
- IPV is owned as to 59.73% by IPV Capital II, L.P. and 40.27% by IPV Capital II-S, L.P.. IPV Management II, L.P. is the general partner of IPV Capital II, L.P. and IPV Capital II-S, L.P.. The general partner of IPV Management II, L.P. is IPV Management II, Ltd., which is owned as to 50% by Tingru Liu and 50% by Terence Eng Chuan Tan. Under the SFO, IPV Capital II, L.P., IPV Capital II-S, L.P., IPV Management II, L.P., IPV Management II, Ltd., Tingru Liu and Terence Eng Chuan Tan are deemed to be interested in the Shares held by IPV.
- EDBI is wholly owned by the Economic Development Board of Singapore. EDBI Pte. Ltd. is the sole exclusive fund manager of EDBI. Under the SFO, the Economic Development Board of Singapore and EDBI Pte. Ltd. are deemed to be interested in the Shares held by EDBI.
- Leading Season is owned as to 50% by Huimin Wang and 50% by Xiaojun Yao. Under the SFO, Huimin Wang and Xiaojun Yao are deemed to be interested in the Shares held by Leading Season.
- None of the Other Shareholders, individually or collectively with their associates, own more than 5% of our Company before the [REDACTED].
- Vobile Japan is owned as to 0.25% by Mr. Mitsuru Ohki, a director of Vobile Japan.



## BUSINESS

### OVERVIEW

We are the leading provider of online video content protection services in terms of 2016 revenue with a worldwide market share of 7.5%, according to Frost & Sullivan, helping our content owner customers identify potentially infringing content and reduce infringement-induced revenue loss. Our customers include some of the world's largest film studios, including the Top Seven Global Film Studios, and many other film studios, TV networks and other content owners. Leveraging on our core content identification technology underlying our content protection platforms and customer relationships gained through our acquisition of the Conventional PPT business, we are expanding our presence in the online video content distribution market by offering two content monetization platforms facilitating online video content distribution using a revenue-sharing model. We also continue to operate the Conventional PPT business.

Through our proprietary software platforms, we help our content owner customers protect their content from unauthorized use and monetize their content by enabling revenue-sharing for, or in connection with, the distribution of their video content. In addition, we offer content measurement platforms to help our content owner customers measure the viewership of their content. Our business model can be categorized in two parts:

- 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 PPT platform and online video distribution through our Online PPT platforms (including AVOD PPT platform, or "ReClaim," and our newly developed product, TVOD PPT platform).

The following table shows our revenue breakdown by each product in our subscription-based SaaS business and transaction-based SaaS business for the years ended December 31, 2014, 2015 and 2016.

	Year ended December 31,					
	2014		2015		2016	
	US\$'000	%	US\$'000	%	US\$'000	%
<b>Subscription-based SaaS business</b>						
<i>Content Protection</i>						
– VideoTracker .....	8,629	85.1	7,992	45.5	8,960	53.4
– MediaWise .....	1,336	13.2	1,321	7.5	1,073	6.4
<i>Content Measurement</i>	168	1.6	356	2.0	408	2.4
Subtotal .....	10,133	99.9	9,669	55.0	10,441	62.2
<b>Transaction-based SaaS business</b>						
<i>Content Monetization</i>						
– Conventional PPT .....	–	–	7,786	44.3	5,010	29.8
– Online PPT .....	11	0.1	121	0.7	1,343	8.0
Subtotal .....	11	0.1	7,907	45.0	6,353	37.8
Total .....	10,144	100.0	17,576	100.0	16,794	100.0

## BUSINESS

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### **Subscription-Based SaaS Business**

#### ***VideoTracker Content Protection Platform***

Within our subscription-based SaaS business, VideoTracker is our principal content protection platform launched in 2008. VideoTracker is based on our VDNA technology, a proprietary digital fingerprinting technology that extracts the key characteristics of a piece of content that is used for identifying the content. We or our content owner customers use our VDNA tool to create a digital "fingerprint" of their video content, which allows us to search over 200,000 sites globally for potentially infringing content. Then, our content owner customers can take appropriate action through our platform, ranging from collecting data to sending content removal requests or take-down notices to the appropriate parties. Through our VDNA technology, we have established a VDNA database consisting of a comprehensive database of our content owner customers' authorized digital fingerprints, metadata, and business rules. Our content protection customers include film studios, TV networks and other content owners.

#### ***MediaWise Content Protection Platform***

MediaWise is a content identification and filtering product that allows online video sites to identify and filter user-uploaded videos against our VDNA database and provides copyright information of the uploaded videos for the online video sites to determine whether to publish or block the content. MediaWise also allows content owners to create fingerprints of their content and add them to our VDNA database so that their content may be filtered by MediaWise enabled websites.

#### ***TV Ad Tracking and Analysis and mSync Content Measurement Platforms***

Our TV Ad Tracking and Analysis platform is a marketing intelligence product that tracks TV commercials, movie trailers, show promos, infomercials and brand logos across broadcast and cable TV networks to help brands validate that their content runs as planned. Our mSync platform is an automatic content recognition product that creates second-screen applications on mobile devices and interactive TV programs for broadcasters and content owners to increase audience engagement and viewership.

### **Transaction-Based SaaS business**

#### ***Conventional PPT Content Monetization Platform***

In 2015, we acquired our Conventional PPT business from Rentrak primarily to apply the Conventional PPT revenue-sharing business model for video discs to develop our Online PPT businesses in combination with our online video content protection software. Our Conventional PPT platform facilitates the distribution of physical home video content for our film studio and TV network customers using a revenue-sharing model. We negotiate distribution rights and revenue-sharing terms with film studios and TV networks, and we offer software solutions for transactional data measurement and auditing that enable efficient distribution of our content owner customers' content to hundreds of individual video stores on a revenue-sharing basis.

## BUSINESS

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### ***Online PPT Content Monetization Platforms***

Implementing Conventional PPT’s revenue-sharing model, our Online PPT platforms facilitate online video distribution on a revenue-sharing model to serve a large and rapidly growing segment of the online video consumption industry. We expect to benefit from the continued growth of our Online PPT platform.

Our AVOD PPT platform, also known as ReClaim, enables our customers to monetize their content through online video sites that provide content to consumers for free but generate revenue on an advertising-based model. We negotiate content claiming rights and advertising revenue-sharing terms with content owners that distribute video content on online video sites such as YouTube, Dailymotion and Facebook. We help them identify user-uploaded videos that contain their copyrighted material using our VDNA technology and submit claims of their copyrighted videos based on pre-defined business rules that result in shared advertisement revenue for the content owner pursuant to the video sites’ or platforms’ terms.

In 2017, we introduced a second Online PPT platform, our TVOD PPT platform, which enables our customers to monetize their content on online video sites that charge consumers a transaction fee to stream or download each piece of video content. As of the Latest Practicable Date, we have acquired content distribution rights and signed content distribution agreements so that we can facilitate the online video distribution to the PRC market using a TVOD PPT platform on a revenue-sharing model.

For more details on our revenue model, see the section headed “– Revenue Model” below.

### **OUR COMPETITIVE STRENGTHS**

We believe that the following attributes and capabilities provide us with several competitive advantages:

#### **Leading Market Position**

We are ranked number one in the global online video content protection market with 7.5% of the market share by 2016 revenue, according to Frost & Sullivan. Our customers consist of the Top Seven Global Film Studios as well as many other film studios, TV networks and other content owners in the US and Asia. Using the video consumption data derived from our content protection technology, we provide our content owner customers with market intelligence of global online video consumption trends related to their video content.

## BUSINESS

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According to Frost & Sullivan, our content protection platforms protected 95, 94 and 100 of the top 100 movies ranked by US box office grosses in 2014, 2015 and 2016 respectively. Our protected film content represented box office grosses of US\$9.3 billion, US\$10.0 billion and US\$10.3 billion in 2014, 2015 and 2016, respectively, or 89.8%, 90.5% and 90.0% of the total US box office grosses in 2014, 2015, and 2016 respectively. For TV content, our content protection platforms protect 43, 42, and 41 out of the top 50 grossing shows for the 2013-2014, 2014-2015, and 2015-2016 TV seasons.

According to Frost & Sullivan, the market size of the online video content protection market in 2016 was US\$133.8 million globally, with US\$75.6 million and US\$10.5 million in the US and China, respectively. Frost & Sullivan projects that the market size of online video content protection market would reach to US\$194.6 million globally in 2021 at a CAGR of 8.0% between 2017 and 2021, while the online video content protection market in the US and China will reach US\$108.8 million and US\$17.7 million in 2021, representing a CAGR of 7.8% and 11.6% during the same period, respectively. We believe the growing importance of online video content protection to the video entertainment industry and our leading market position in this sector strategically position us to play a bigger role in this growing market.

### **Strong Customer Base with Stable and Trusted Relationships**

Our customers include the Top Seven Global Film Studios, as well as many other film studios, TV networks and content owners. We signed our first major film studio customer for our VideoTracker content protection service in 2008. Our top five customers during the Track Record Period have all maintained their relationships with us throughout the Track Record Period.

We build stable and trusted relationships with our customers through our product features and quality, valued data insights, and responsive post-sale customer service. Our professional service and global service team are available online, ensuring that our customer's concerns and requests are addressed on a timely basis. Our relationships with our established customer base allow us to better understand our customers' business operations and needs, which help us improve our services in order to retain and attract more customers platforms. Reflecting potential synergies, we see significant opportunities in cross-promoting and cross-selling our platforms in our content protection and PPT Business.

### **Strong Product Development and Technological Capabilities**

We have over a decade of experience in developing and enhancing our VDNA technology and have continuously invested in new research and development endeavors to increase the efficiency, efficacy, scope, scale, and security of our SaaS offerings. Our VDNA technology is well adopted in the industry and its effectiveness is evidenced by our global market leading position and strong customer base.

## BUSINESS

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VideoTracker continuously reviews video content currently on over 200,000 sites globally including streaming sites, downloading sites, social media sites, search engine tools, P2P protocols, mobile apps, OTT boxes and other emerging sites that consumers can access video content. Our VDNA technology is designed to detect video content matches that have undergone manipulation by infringers including cropping, contrast change, rotating, color manipulation, blurring, and/or inversion. We have also incorporated advanced technologies into our product and service offerings, including video scanning, natural language processing and advanced analytics, which enable our platform to discover audio, video, and image content accurately and efficiently. We remain the vendor of choice of major film studios despite constant internal comparison tests conducted by the film studios.

### **Capability to Grow our Online PPT Platforms**

According to Frost & Sullivan, online video spending in the US reached US\$19.0 billion in 2016 and will reach US\$37.9 billion in 2021 with an estimated CAGR of 14.3%. Because we offer the only major platform using the revenue sharing model, we believe that our well-established relationships with film studios and TV networks through both our content protection business and Conventional PPT business, with our VDNA technology as well as our content distribution rights negotiation and distribution relationship management experience acquired from our Conventional PPT business, strategically position us to cross-sell our Online PPT platforms to our content owner customers. We believe that reliable data processing and measurement as well as auditing methodology are pivotal to the revenue-sharing business model underlying our PPT platforms because the measured and audited data is utilized as the basis to determine the revenue split between the content owner and content distributor.

### **Experienced Management Team and Reputable Investor Base**

Our senior management team possesses extensive experience in the video technology, media and entertainment industries. Mr. Wang, our founder, chief executive officer and executive Director and chairman of the Board, has been leading our Group for over 12 years, and has been responsible for corporate vision, product strategy, business development and operations of our Group since its founding. Combined, our senior management team has an average over 10 years of experience in the relevant fields, of which an average of 9 were with us or our predecessor who operated the Conventional PPT platform. We believe that the extensive industry experience, in-depth product knowledge, interpersonal relationships with key decision-makers of our customers, strong strategic vision, and proven execution capabilities of our senior management team will allow us to continue to execute our growth strategies to achieve further success.

Since 2007, we have raised four rounds of equity financings. Among our earliest institutional investors are AT&T, Steamboat II and an investment fund affiliated with the Singapore government.

## BUSINESS

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### OUR STRATEGIES FOR GROWTH

Our strategy is to continue to strengthen our global leadership position in online video content protection and become a leading content monetization platform to facilitate online video distribution using a revenue-sharing model. To achieve our business goals, we intend to:

#### **Continue to Strengthen Our Leading Market Position in Content Protection**

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

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

#### **Grow our Online PPT and Content Measurement Platforms**

Our first Online PPT platform, AVOD PPT platform, facilitates video distribution to online video sites that provide content to consumers for free but generate revenue utilizing on an advertising-based model. We intend to grow our AVOD PPT platform and business by acquiring claiming rights from content owners, and expanding our claiming service to cover additional online video sites. In 2017, we introduced a second Online PPT platform, our TVOD PPT platform, which facilitates online video distribution using a revenue-sharing model to online video sites using a rental or sell-through model. We intend to grow our TVOD PPT platform and business by obtaining licensing rights to large amounts of high-quality video content from content owners, further enhancing our platform with advanced and sufficient measurement and auditing capabilities, and developing a network of online video sites to offer our licensed video content to end user consumers.

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



## BUSINESS

### Selectively Pursue Expansion Opportunities in China and Europe

We currently market our SaaS products primarily in North America, with a modest Asia presence. We intend to expand our Online PPT business in the China market, and then into other regions where online video consumption is high. We intend to expand our content protection business in Europe where there is large investment in original content production. To effectively penetrate and grow our market presence in Asia, especially in China, Europe and other regions, we intend to set up local offices including sales and customer support team to further understand local market needs and build relationships with the local content owner customers. We also intend to explore and build strategic alliance with other entities that have business relationships with local content owners in such regions to leverage their existing infrastructure and our superior products and solutions to shorten our go-to-market timeline.

### Pursue Business Expansion via Strategic Alliances and Acquisitions

We intend to continue to strategically invest in or acquire businesses that are complementary to our business. For example, in order to enhance our AVOD PPT platform and develop our TVOD PPT platform to take advantage of the synergies with our content protection business, we acquired the Conventional PPT business in January 2015 from Rentrak. We may enhance our platforms and services in content protection, measurement, and monetization by selectively partnering with, investing in, or acquiring other companies to grow and enhance our competitive position.

In order to further strengthen our global market leadership in content protection and increase the adoption of our Online PPT platforms, we will explore opportunities of strategic alliances and complementary acquisitions to offer more complete solutions in content protection and online video distribution and expand our geographic reach. As of the Latest Practicable Date, we have not identified any specific target for acquisition.

### OUR PRODUCTS AND SERVICES

We offer SaaS solutions to our film studio, TV networks and other content owner customers using our proprietary software platforms to help them reduce infringement-induced revenue loss and enable new revenue opportunities in online video distribution.

Our business model can be categorized in two parts as set forth below.

#### Subscription-Based SaaS *Content Protection*

- VideoTracker
- MediaWise

#### *Content Measurement*

- TV Ad Tracking and Analysis
- mSync

#### Transaction-Based SaaS *Content Monetization*

- Conventional PPT
- Online PPT including AVOD PPT and TVOD PPT

## BUSINESS

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### Subscription-Based SaaS Business

#### *Content Protection*

Our principal content protection platform, VideoTracker, is based on our VDNA technology and allows us to be the worldwide leader in online video content protection, according to Frost & Sullivan. Using our VDNA technology, we create a digital “fingerprint”, or VDNA, of our customers’ video content. Integrating advanced technologies such as video search and scanning, machine learning, natural language processing and advanced analytics, our platform enables us to discover potentially infringing content across the internet accurately and efficiently. We believe that our VDNA database is a comprehensive database of authorized video fingerprints, metadata and business rules from film studios, TV networks and other content owners.

We typically provide a VDNA software tool for our content owner customers to generate a VDNA fingerprint for their content prior to their release of such content. These fingerprints then become a part of our VDNA database and our VideoTracker can then provide services with respect to such content.

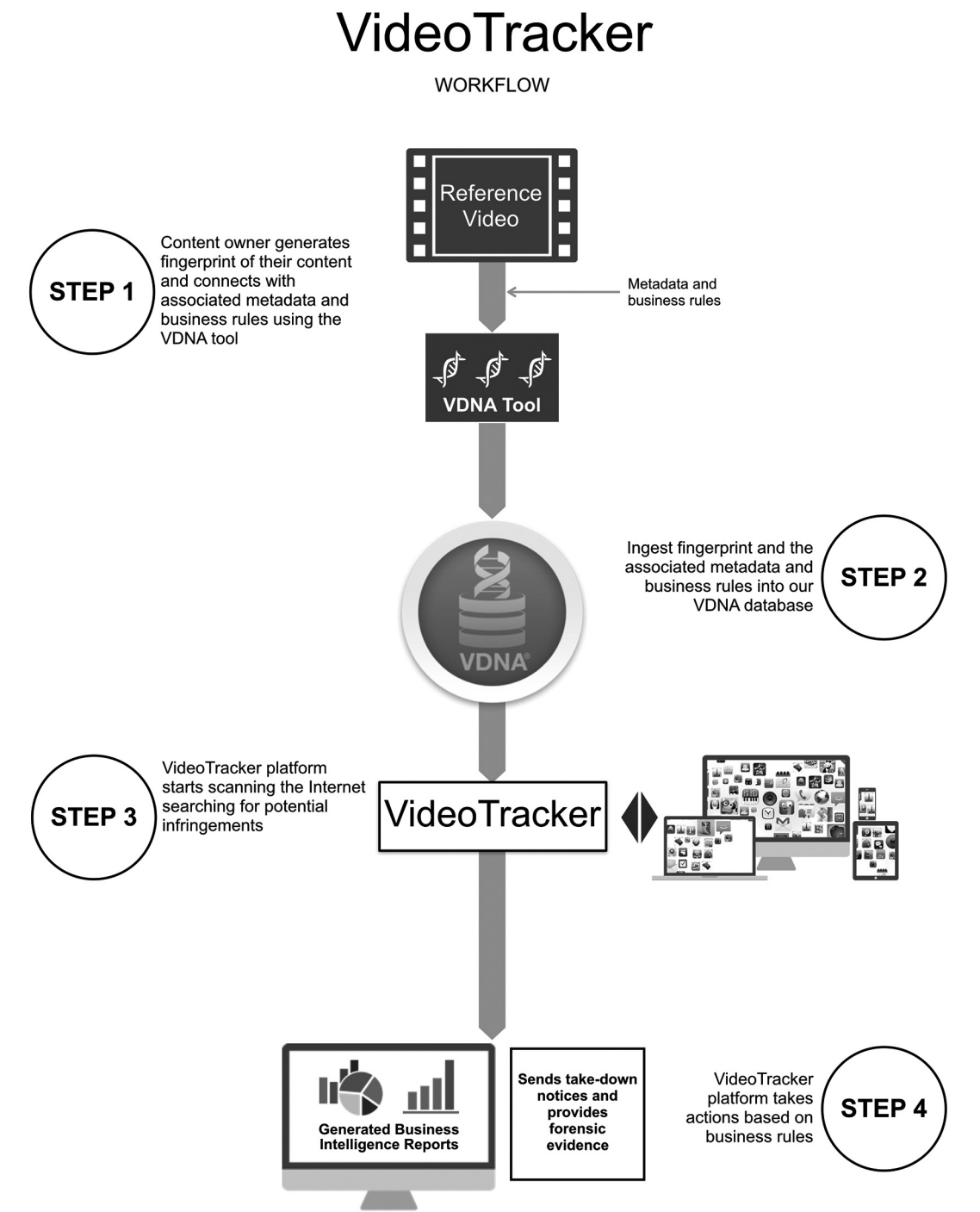
When our VideoTracker content protection platform detects possible infringements, it automatically archives evidence and additional information for future legal actions that may be taken by our customers. Our platform also provides data analytics and visualization for our customers to monitor real-time statistics and help them understand global infringement trends. Additionally, if requested, our platform can automatically send takedown notices authorized by applicable law to the websites, internet service providers, domain registrars, and other upstream entities hosting the potentially infringing content, to enhance compliance with intellectual property laws. With our extensive coverage, efficiency and effectiveness, we enable our customers, who are film studios, TV networks and other content owners, to protect their high-value intellectual property before, during and after initial release.

Due to proliferation of online video content and sites, it became increasingly costly for studios to search the internet for infringing content in-house, so they looked to outsource this function to a technology provider whose could accurately identify potential infringements across the internet. With the increasing scale and complexity of locating instances of online video potential infringement, content protection solutions must possess advanced technology capabilities and be able to operate on a large scale in order to effectively help content owners reduce infringement-induced revenue loss. Currently our VideoTracker platform utilizes the processing power of a global network of computational servers located on our in-house managed physical data centers and in cloud infrastructure to monitor over 200,000 sites globally, producing an average around seven million URLs monthly in 2016 that host or link to video content potentially infringing the copyright of our content owner customer’s videos. As a result, our customers send take-down notices regarding an average of around 3.5 million of such URLs per month in 2016 based on the business rules they set.



BUSINESS

The diagram set forth below shows the step-by-step workflow of our VideoTracker content protection platform.



## BUSINESS

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Our customers access the VideoTracker platform through a web interface to set business rules, review potential infringing content and send takedown notices, and access data reports and various metrics and insights. In addition to our VDNA technology, we believe there are four principal factors that make our VideoTracker platform attractive to our content owner customers.

### *Comprehensive Global Coverage*

We offer comprehensive global coverage by actively scanning sites for potentially infringing content. Currently our VideoTracker platform actively scans the following types of sites.

- *Hosting sites.* Includes streaming sites and downloading sites.
- *Linking and torrent sites.* Includes linking sites that do not host videos but direct users to a hosting sites, and torrent sites that contain links to direct users to P2P protocols.
- *Social media sites.*
- *P2P downloading software.* Includes file sharing and downloading software based on P2P protocols.
- *P2P streaming sites.* Includes streaming sites or services that rely on P2P protocols.
- *Search engine delisting.* Includes delisting infringing links from top search engines such as Google, Baidu and others.
- *Mobile applications and OTT boxes.*

### *Identification with Established Review Rules*

Our VideoTracker platform identifies potentially infringing content and implements review rules that can be customized by our content owner customers. Our VDNA technology allows us to identify potentially infringing content with high accuracy, even in some cases when the content has been modified or distorted. For example, copyright holders may need to consider whether a use of copyrighted content constitutes “fair use” prior to sending a takedown notice. To reflect this and the evolving infringement landscape, we complement our core VDNA technology with machine learning techniques and review processes to offer state-of-the-art content protection services to our customers. Our customers interact with the VideoTracker web portal to review potentially infringing content located by our software. This feature enables human determination of whether use of our customer’s copyrighted content may constitute “fair use” and is therefore not infringement.

## BUSINESS

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### *Compliance Enforcement with Streamlined Escalation Process*

Our VideoTracker platform enables timely takedown of the infringing content and offers a streamlined review escalation process. Upon identifying potentially infringing content, we believe it is important to prevent the spread of the content quickly to limit the impact on our customers' brands and properties. Based on the pre-determined business rules set by our content owner customers, our VideoTracker platform enables us to send takedown notices to websites that contains the potentially infringing content in a scalable manner. In addition, if requested by our customers, we further identify and send takedown notices to the core infrastructure providers implicated in the distribution of potentially infringing content, accelerating the takedown process and disabling access to unauthorized content. This allows us to quickly deliver effective results to our content owner customers.

### *Analytics and Insights*

Our VideoTracker platform offers data intelligence with big data insights as to when and where the content infringements occur and who consumes the infringing content. When our VideoTracker platform detects potentially infringing content, it automatically archives evidence and additional information for future legal actions that may be taken by content owners. Our platform also provides advanced data analytics and reporting capabilities that measure global online media consumption across a variety of sites to help our customers understand global piracy trends.

We offer other content protection SaaS software platforms, such as MediaWise, a content identification and filtering product that allows online video sites to identify and filter user-uploaded videos against our VDNA database in real-time and provides copyright information of the uploaded videos for the online video sites to determine whether to publish or block the content. MediaWise also allows content owners to add video content to our VDNA database so that their content may be filtered by MediaWise enabled websites.

### *Content Measurement*

Our content measurement platforms include two secondary products, TV Ad Tracking and Analysis and mSync platforms. Our TV Ad Tracking and Analysis platform is a new product that was launched in 2015. It is a marketing intelligence product that tracks TV commercials, movie trailers, show promos, infomercials and brand logos across broadcast and cable TV networks to help brands validate that their content runs as planned and gain instant competitive intelligence. Our mSync platform provides content identification technologies for broadcasters and content owners to create second-screen applications on mobile devices and interactive TV programs to increase audience engagement and viewership.

### **Transaction-Based SaaS Business**

Our transaction-based SaaS business consists of our content monetization platforms that enables revenue-sharing for conventional home video distribution and online video distribution through our various PPT platforms. Our Conventional PPT platform facilitates the distribution of physical home video content for our content owner customers using a revenue-sharing model to video stores. We acquired our Conventional PPT business primarily to apply the Conventional PPT revenue-sharing business model and its customer relationship to the online video distribution over the Internet and mobile devices.

## BUSINESS

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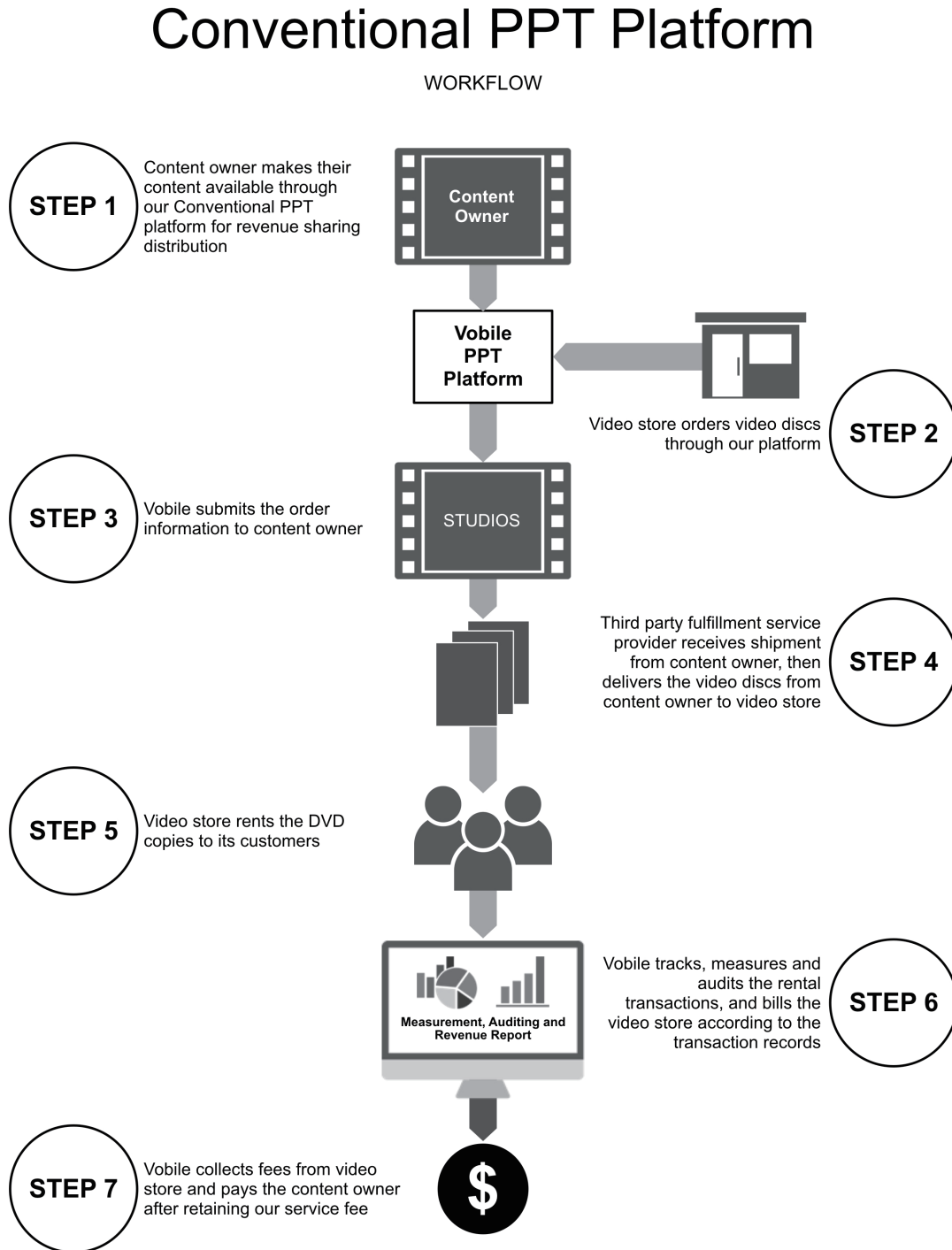
Leveraging on our core content identification technology underlying our content protection platforms and customer relationships gained through our acquisition of the Conventional PPT business, we offer two content monetization platforms facilitating online video content distribution to AVOD and TVOD sites.

### *Conventional PPT Platform*

The Conventional PPT software platform pioneered a revenue-sharing model between content owners and video stores for transactional physical home video rentals. In the former business model, film studios and TV networks directly provided rental video discs to a video store at a wholesale upfront payment and the video store sought to recoup that investment over time. Instead, we negotiate distribution rights and revenue-sharing terms with content owners and provide various services to them including monitoring, measuring and auditing the transactional data in video stores, and managing video distribution logistics. As such, film studios and TV networks can apply revenue-sharing terms with the video stores network collectively in order to maximize the distribution of their video content, and the video stores are not being required to make material up-front payments. Our Conventional PPT platform measures and audits transactional data, which underpins the revenue-sharing model. We do this by directly connecting to video stores' point-of-sale systems to verify transaction data.

## BUSINESS

The diagram below shows the workflow of our Conventional PPT platform.



Our Conventional PPT platform has the following features:

- Software that ties into the point-of-sale system of the individual video stores to transmit daily transactional data to our centralized database, where we then use our proven methodology to provide our content owner customers with processing and auditing information on the transactional data.

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- A centralized ordering and product management internet portal that allows video stores to browse upcoming releases from our content owner customers, review the revenue-sharing deal terms for each release, place orders based on our recommendation engine, track order results, and monitor rental and sales activities.
- A strict auditing process to ensure transactional data accuracy by actively auditing and verifying transactions related to the performance of specific titles.

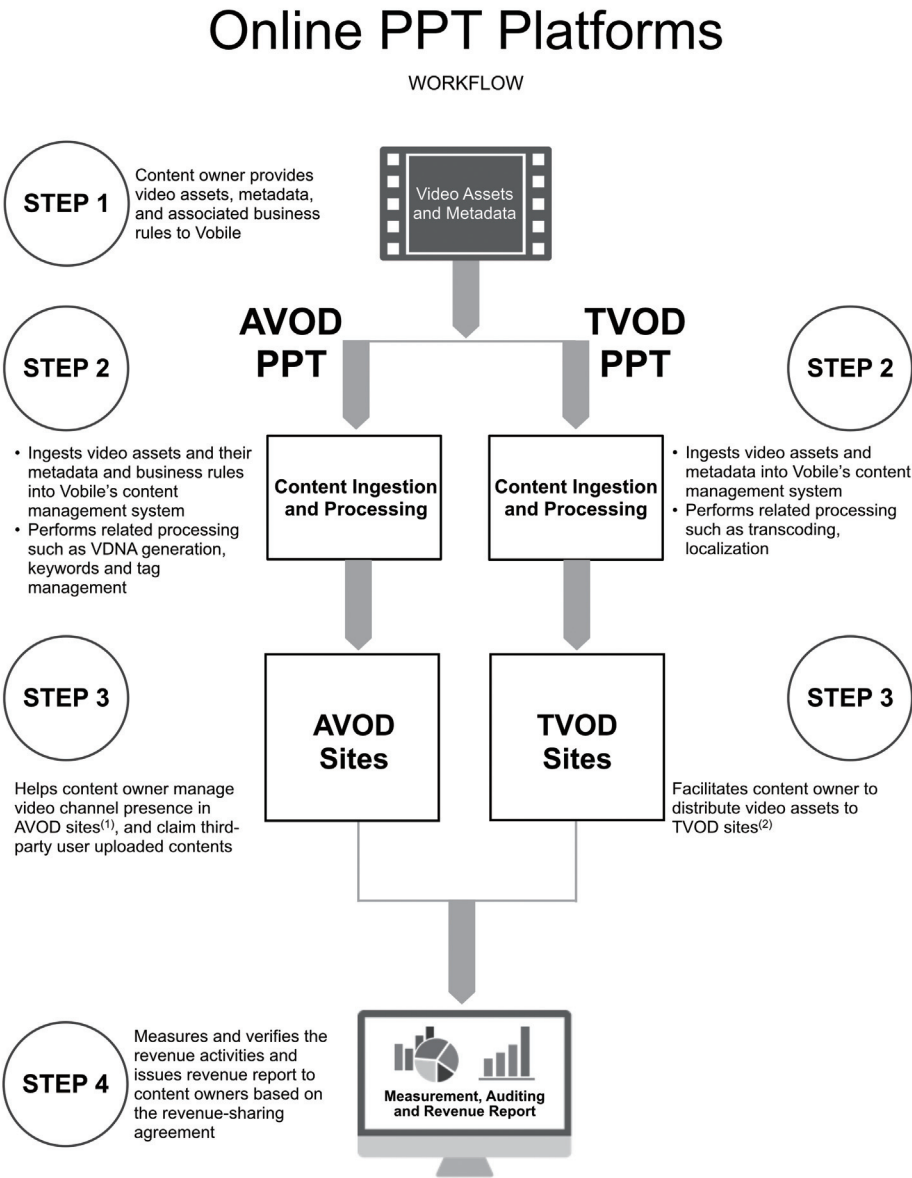
### *Online PPT Platforms*

Our Online PPT platforms facilitate AVOD and TVOD distribution on a revenue-sharing basis. Our first Online PPT platform, AVOD PPT platform, also known as ReClaim, is based on our VDNA technology and enables our content owner customers to measure and monetize their content on online video sites such as YouTube, Dailymotion and Facebook on a revenue-sharing model. We negotiate content claiming rights and advertising revenue-sharing terms with content owners to distribute on online video sites, and help the content owners identify user-uploaded videos that contain their copyrighted materials based on VDNA technology and submit claims of the copyright of such videos on behalf of content owner customers based on pre-defined business rules. Upon claiming the copyright of such videos, the revenue from all advertisements generated from such online videos is shared between online video sites and the content owners per the online video sites' terms and conditions. We charge a percentage of the advertising revenue for each claim made on behalf of the content owners from online video sites, generating incremental revenue for our customers and also enabling them to obtain important viewership statistics for their content from the sites. We are currently working directly with content owners or with agencies of content owners such as Multi-Channel Networks that aggregate many channels from individual digital content owner, in order to manage, claim, and grow their digital assets on online video sites. We believe ReClaim's importance is growing as content owners increasingly rely on online video sites to promote and distribute their video content, build their fan-base, and generate revenue in advertisements sponsored formats.

In 2017, we introduced a second Online PPT platform, our TVOD PPT platform, which facilitates online video distribution through online video sites using a revenue-sharing model. The online video sites charge consumers a transaction fee to stream or download each piece of video content. Our TVOD PPT platform transforms the video content from our content owner customers into appropriate formats that suit the specific market needs, and deliver the transformed video content through the cloud infrastructure to online video sites. We have also established the data measurement and auditing process to facilitate revenue reporting. We believe the existing online video distribution model, which requires large upfront minimum payments, limits video content to hand-picked popular titles and sites with significant capital. We believe this has created a market opportunity for a revenue-sharing monetization platform that performs a similar function to our Conventional PPT platform where physical video content is distributed on a revenue-sharing basis instead of a large upfront minimum payment. As of the Latest Practicable Date, we have acquired content licensing rights from and signed content distribution agreements for TVOD PPT in the PRC with 華數傳媒網絡有限公司 (Wasu Media Networks Co., Ltd.) and 北京優朋普樂科技有限公司 (Beijing Union Voole Technology Co., Ltd.), facilitating online video content distribution to the PRC market using a revenue-sharing model.

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The diagram set forth below shows the workflow of our Online PPT platforms.



Note 1: AVOD sites refer to the online video sites that provide video content free to users but generate revenue through advertising  
Note 2: TVOD sites refer to the online video sites that charge users a fee to access each piece of video content



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### REVENUE MODEL

Our revenue is primarily derived from the sales of our SaaS to our customers through two types of revenue recognition models; namely, a subscription-based model that we charge a relatively fixed amount of service fees per month for the software services we provide to our customers, and a transaction-based model in which we generally charge a certain percentage of the revenue we generate for our customers from the services we provide to our customers.

#### Subscription-Based Model

Our main content protection platform, VideoTracker is provided on a subscription basis. We charge a monthly subscription fee based on customizable features that allow our VideoTracker service to be catered to the specific needs of our customers. The type and amount of fee can vary depending on the levels and types of service required by our customers. The three customizable features of our service that affect our fees include: (1) the type of sites we scan, such as streaming and downloading sites, search engine, linking site, P2P protocols, and other emerging platforms; (2) the number of titles we track, and (3) the frequency at which we are scanning for potentially infringing content across sites. We typically enter into contracts with our content owner customers, where the contract will be renewed at the end of the terms. We sometimes enter into a master contract with statements of work updated periodically with certain of our film studio customers. We conduct a routine credit check on our new customers.

Our other content protection platform, MediaWise, is also provided on a subscription basis. We charge a monthly subscription fee based on the amount of video content that the online video sites submit to us for identification.

Our TV Ad Tracking and Analysis platform is provided on a monthly subscription fee primarily based on the amount of content (i.e., number of TV channels and hours of TV programs) we track for our customers. We charge our mSync customers a subscription fee based on the number of concurrent users accessing second-screen applications and the length of time the second-screen application is enabled.

#### Transaction-Based Model

Our PPT content monetization platforms are transaction-based SaaS offerings through which we charge our customers a fee generally for such transactions that we perform for our customers.

For our Conventional PPT business, our contracts with video stores require them to pay various forms of service fees in connection with the consumption of content provided by content owners. Out of such gross amount that video stores owe, pursuant to our contract with our content owner customers, we are generally entitled to retain a pre-determined percentage portion of such amount as our service fees. We agreed to collect the gross amount from video stores and pay our content owner customers the remaining amount after deducting our service fees. To ensure that video stores pay on time, we normally invoice video stores every week, with our invoices due 10 days after invoice. We are also entitled to certain bad debt allowances from our content owner customers calculated as a percentage of the portion of amounts that we collect on their behalf to cover collection risk from the video stores. We send a statement each month to the content owners showing the amount we owe to them for each title rented by stores during the prior



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month, and we typically pay the resulting amount due between 30 and 90 days later. Historically, we agreed to prepay in advance to certain content owner customers before we receive the amount from the video stores to secure better pricing terms, and we have ceased such practice in 2016.

We are generally adopting a similar structure in regard to our Conventional PPT business with our Online PPT business as we continue to develop this business line. For AVOD PPT, we generally collect advertising revenue from online video sites served by our AVOD PPT platform and for TVOD PPT, we generally collect revenue from online video sites served by our TVOD PPT platform.

We record the amount of service fees we are entitled to as our revenue. On our balance sheet, our account receivables include (i) any receivables corresponding to the revenue so recognized, and (ii) the amount due from video stores for our Conventional PPT business and online video sites for our Online PPT business which we need to pay to our content owner customers. Our account payables include, in addition to the trade payables due to our suppliers, the amount due to our content owner customers which we need to collect from video stores for our Conventional PPT business and online video sites for our Online PPT business.

## SALES AND MARKETING

We primarily utilize direct sales for our products. Our direct sales taskforce is organized geographically to handle accounts in specific regions. Our Japan-based sales team is responsible for sales activities in Japan, and our Hong Kong-based sales team is responsible for other regions of Asia, and our US-based sales team is responsible for sales activities in North America and the rest of the world. Our professional service and global service team are available online, ensuring that our customer's concerns and requests are addressed on a timely basis.

Our marketing strategy is focused on increasing brand awareness and generating sales leads through events and digital marketing as well as referrals from our existing customers. We primarily utilize event marketing to reach our potential customers. Our marketing team aims to select events, such as the Consumer Electronics Show, the National Association of Broadcasters, the Entertainment Merchants Association ("EMA") Independent Product Market, the EMA Los Angeles Entertainment Summit, VidCon, and the EMA Digital Media Pipeline, to help us build a strong presence for our brand, considering factors including industry analysis, our sales target for the year, and our marketing budget. At marketing events, we may provide public presentations, set up display booths, and hold private meetings and product demonstrations to promote our products and services.

We believe that the digital marketing is an important marketing channel to generate new sales leads and upsell and/or cross-sell opportunities within our existing client base. Our corporate website, [www.vobileinc.com](http://www.vobileinc.com), serves as the primary window to inform our potential customers about our products and services and corporate news. Email marketing is an important tool to follow up with existing customers and new customers and share our corporate news and white papers.

We intend to continue to focus on event marketing and digital marketing as cost effective channels in our overall marketing strategy. In addition, we maintain a telemarketing database of physical rental video stores for use primarily with our Conventional PPT platform for physical home video distribution.

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The prices of our SaaS products are determined based on a number of factors, such as the value our products offer to our customers (including revenue gains and cost reduction to our customers), estimated software production costs (including relevant research and development costs and on-going operational costs), and our competitors' price offering (including the price and feature differences).

We negotiate the amount of our service fees for our Conventional and Online PPT businesses with individual content owners. The fees typically do not vary by title, although the existence and amount of any minimum fees and end-of-life fees for Conventional PPT do vary by title. The amount we negotiate with each content owner varies based upon the facts and circumstances, including the volume and popularity of the video content involved.

### OUR CUSTOMERS

We primarily target film studios, TV networks, and other content owners who use our software platforms to protect, measure, and monetize their original video content. As of December 31, 2016, we had approximately 90 active customer accounts, including the Top Seven Global Film Studios, as well as many other film studios, TV network and other content owners. Our top five customers during the Track Record Period have all maintained their relationships with us throughout the Track Record Period.

Our largest customer represented 18.5%, 11.4% and 10.8% of our total revenue in the years ended December 31, 2014, 2015 and 2016, respectively. This customer reduced the VideoTracker service subscription in November 2016 primarily due to its decision to spend less on content protection, resulting in a 58.2% decrease in monthly subscription fees. However, it still remains a major content protection customer. Another one of our top five customers is a subsidiary of this customer. Both of these customers have different brands that are well-known in the media and entertainment industry and we treat them as separate customers. For each of the years ended December 31, 2014 and 2015 and 2016, sales to our top five customers represented approximately 49.8%, 44.8%, and 39.4%, respectively, of our total revenue. None of our top five customers are connected persons of our Group. Save as disclosed in this [REDACTED], none of our Directors, their close associates or any Shareholders (whom to the knowledge of our Directors, owns more than 5% of our Company's issued share capital) had any interest in any of our top five customers during the Track Record Period.

### Salient Terms of Contract

#### *VideoTracker*

For VideoTracker content protection platform, we normally enter into agreements with our content owner customers for a period of time that are renewable at the end of the term. We sometimes enter into a master contract with statements of work updated periodically with some of our film studio customers. The salient terms of such agreements include:

**Term:** The term is generally one year, but ranges from six months to five years. Some of our contracts are automatically renewed periodically unless notice to the contrary is provided and a few require periodic amendments to extend the existing commercial deal terms.

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**Termination:** Normally either party can terminate for material breach, and has the right to eliminate their services upon advance notice without cause. Some contracts provide the content owner with the right to terminate for a change of control.

**Pricing:** We typically have the right to adjust our prices at the end of the term. For some of the content owner customers, we provide a more favorable pricing provision which is not unusual among some of the major studios. Our core principle is to treat each customer fairly and consistently and we have never received a claim of breach of such provision.

**Invoicing and Payment Terms:** We typically issue invoices on a monthly basis, and our customers are typically required to pay us within 30 to 60 days after the invoice.

**Intellectual Property Non-Infringement:** We typically assume the duty to defend our customers for relevant third-party intellectual property infringement claims in connection with our services, subject to certain exclusions and condition.

**Fingerprinting:** Fingerprinting is done either by our customer or us. Our customers and we typically co-own the fingerprints but even where the customer owns the fingerprints, we have the right to use the fingerprints, including the right to include the fingerprints in our VDNA database.

### ***Conventional PPT***

For Conventional PPT platform, we typically enter into periodic agreements with our content owner customers. The salient terms of such agreements with content owner customers include:

**Term:** The term generally varies in length. Some are automatically renewed periodically unless notice to the contrary is provided and some require periodic amendments to extend the existing deal terms.

**Termination:** Normally either party can terminate for material breach, and has the right to eliminate their services upon advance notice without cause. Some contracts provide the content owner with the right to terminate for a change of control.

**Licensing Period:** Normally we enter into a leasing term of 26 weeks commencing as of the title's public release date.

**Pricing:** Our pricing with the content owners normally includes the revenue sharing terms for the transactions, the order processing fee and the end of term ownership transfer fee. For selected titles, there may be a minimum guarantee if certain conditions are met; in such case, we normally enter into separate agreement with video stores that we will pass the minimum guarantee fees to the video stores, if applicable.

**Invoicing and Payment Terms:** We typically issue statements to our content owner customers on a monthly basis, and we will typically pay our content owner customers up to 90 days after we issue the statement.

**Intellectual Property Non-Infringement:** We typically assume the duty to defend our customers for relevant intellectual property third party claims in connection with our services. Subject to certain conditions and exclusions.

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### OUR SUPPLIERS

We primarily rely on third-party suppliers for computing server, data storage, and network bandwidth for our SaaS business, including cloud service suppliers and physical data center suppliers. For our physical data centers, we contract with third-parties to provide us with data center management and server co-location space. For cloud computing services, we utilize two of the leading global cloud service providers to provide on-demand cloud services to suit our business needs. Our agreement with one leading cloud service provider is cancellable by us at any time or with 30-days' notice by them for any reason. Our agreement with the other cloud service provider is cancellable at any time or cancellable by them due to inactivity for a period exceeding 180 days. We sometimes commit to a certain minimum level of spending to obtain a volume discount.

For our Conventional PPT business, we rely on third-party suppliers to provide storage, distribution and fulfillment services to handle and ship video discs from our content owner customers to the video stores. Our fulfillment service providers are responsible for inventory management related losses and delivery guarantees to the video stores. We carry no liabilities or warranties in the fulfillment and inventory management process. We have contracted with third-party distributors in the US and Canada. Our agreement with the US distributor is cancellable by either party with 180 days' notice and automatically renews every two years. We pay the US distributor a set rate per unit for picking, packing, and warehousing our inventory without minimum purchase requirements.

Our purchases from our five largest suppliers for each of the years ended December 31, 2014 and 2015 and 2016, of US\$1.3 million, US\$3.6 million and US\$2.9 million, respectively, representing approximately 64.3%, 73.5% and 75.7%, respectively, of our purchases during those periods. We typically pay our suppliers between 25 to 30 days of their invoice.

We rent office space in Oregon from one of our major suppliers so that our employees did not need to relocate after we acquired the Conventional PPT business. We also purchase information technology services from this supplier. This company was previously and remains a TV Ad Tracking and Analysis customer. Our purchases from this supplier amounted to US\$336,000 and US\$325,000, or 7.0% and 8.4% of our total purchases in 2015 and 2016, respectively. We generated revenue of US\$263,000 and US\$315,000 from one of our major suppliers in 2015 and 2016, respectively, or 1.5% and 1.9% of our total revenues in 2014 and 2015, respectively.

None of our Directors, senior management or any person who, to the knowledge of our Directors, owns more than 5% of our Company's issued share capital or any of its subsidiaries, or any of their respective associates, had any interest in any of our top five suppliers during the Track Record Period.

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### TECHNOLOGY INFRASTRUCTURE

We have developed an extensive technology infrastructure that supports the operation of our SaaS business. A majority of our computational servers are hosted by cloud service providers and others are hosted by our two physical data centers located in California and Oregon. Our strategy to migrate computing servers to cloud service providers reduces our in-house operation complexity and personnel costs and leverages new technology to enhance our service quality, capability and flexibility.

For computing servers hosted by cloud service providers, we have two main types of service contracts: (1) on-demand agreements with fees based on our actual server usage, data storage or bandwidth usage, which allows us to maintain flexibility in our business needs, and (2) periodic agreements for a fixed amount of servers and bandwidth, which can help us secure larger discounts.

For servers hosted in our physical data centers, we purchase and own all the hardware equipment. We rent hosting space and associated power supplies and network bandwidth through third-party data center colocation service providers. We normally enter into a 3-year leasing agreement with the data center colocation service providers and with renewal after the expiration of the 3-year initial lease. We have exclusive access to the data and software on the servers in our server network.

We utilize high-availability clusters comprising groups of servers to provide sufficient redundancy and ensure continued services in the event of server failure. Our system utilizes server architecture to ensure our system can automatically switch to backup servers when and if technical issues occur. In addition, our internally developed operation and maintenance system closely and constantly monitors the usage of resources and the health of resources for immediate response.

Moreover, all of our data are encrypted and protected by access control. We also implement a global server back-up architecture for key operations and services for disaster recovery. During the Track Record Period and the subsequent period up to the Latest Practicable Date, we have not experienced any material network disruptions or incidents of hacker attacks.

We are exposed to risks related to our technology infrastructure. For more details, see the paragraph headed "Risk Factors – Our technology infrastructure may experience unexpected system failure, interruption, inadequacy, or security breaches" in this [REDACTED].

### INTELLECTUAL PROPERTY

Our intellectual property rights are an essential element of our business operations. While we make use of copyright, trademark, trade secret, proprietary domain names and other intellectual property law, as well as non-competition, confidentiality and license agreements with our employees, suppliers, business partners and others to protect our intellectual property rights, we primarily rely on trade secrets for keeping our source code and other know-how confidential. As of the Latest Practicable Date, we have:

- 28 registered trademarks and four pending trademark applications in the US and one pending trademark application in Hong Kong;
- eight registered domain names that are material to our business; and

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- nine issued patents and five pending patent applications in the US, and one issued patent in Japan.

For more details on our intellectual property rights which are material to our business, see the section entitled “Statutory and General Information” in Appendix IV to this [REDACTED].

We implement comprehensive measures to protect our intellectual property in addition to making trademark and patent registration applications. Our employees are generally required to execute a standard employment contract, which includes a clause acknowledging that all inventions, trade secrets, works of authorship, developments and other processes generated by them on our behalf are our property, assigning to us any ownership rights that they may have in those works, and requiring them to not disclose or use our confidential information except for our benefit as we may authorize.

Under the Intellectual Property Agreement dated December 3, 2016, VideoMobile assigned to our Company all of its intellectual property rights at nil consideration and VideoMobile retained a royalty-free non-exclusive license, for the PRC only, covering certain key technologies and databases (primarily VDNA) of our Company. For more details, see the section headed “History, Reorganization and Corporate Structure – Our Reorganization” in this [REDACTED]. This license does not cover future enhancements which we may make nor does it cover our VideoTracker or PPT platforms. As this license is non-exclusive, it does not limit our ability to conduct business in the PRC.

While we actively take steps to protect our intellectual property rights, circumstances outside our control could pose a threat to our intellectual property rights. Unauthorized use of our intellectual property by third parties, and the expenses incurred in protecting our intellectual property rights, may adversely affect our business. During the Track Record Period and as of the Latest Practicable Date, we were not subject to any material dispute or claims of infringement upon third parties’ trademarks, patents, or other intellectual property rights.

We are exposed to risks related to our intellectual property. For more detail, see the paragraph headed “Risk Factors – We may experience unauthorized use of our intellectual property by third parties, and may incur significant expenses to protect our intellectual property rights” in this [REDACTED].

## RESEARCH AND DEVELOPMENT

Maintaining strong research and development capabilities is important to our success. We believe that we have been able to rapidly scale our product development output and deliver an increasing range of products and services based on our core VDNA technology to fulfill changing customer needs and maximize the quality of user experience. To maintain and enhance our leading market position in content protection, we are continually developing and enhancing our VDNA algorithm and video search and discovery capabilities, as well as to responding to new forms of content infringement. We are also investing in our big data capabilities to capitalize on the massive amount of data we generate from our services and offer value-add data analytics services to our customers.

Currently, we are focused on building software platforms for online video monetization in order to grow our Online PPT platforms. Our long-term goal is to leverage our Online PPT platforms to be the leading video monetization platforms on which content



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owners and online video distributors are able to transact in the licensing of video content via a revenue-sharing model. For more details, see the section headed “– Our Strategies for Growth – Grow our Online PPT and Content Measurement Platforms.”

As the Latest Practicable Date, our research and development team consists of 12 employees. A majority of our research and development staff has at least 10 years of experience in related fields. We currently conduct most of our research and development in-house, and are not reliant on any outsourced research and development. Our research and development team is located in our Silicon Valley and Portland offices.

Research and development expenses consist primarily of salaries and benefits paid to our research and development staff. Our research and development expense was US\$1.0 million, US\$1.4 million, and US\$1.3 million, or approximately 9.7% and 7.8%, and 7.5% of revenue, respectively, for the years ended December 31, 2014, 2015 and 2016, respectively. We plan to continue to invest in our research and development and to implement our new technologies into our products and services.

### QUALITY ASSURANCE

Our newly developed or updated SaaS products are subject to several quality tests performed by our quality assurance team before they are deployed. These quality assurance tests typically include pre-deployment test, sanity test, regression test, and performance and scalability test.

We implement an agile software development process where we break down the complex software development into incremental releases where the development cycle for each incremental release lasts for a certain period of time such as two weeks. Before such releases, our quality assurance team will perform regression tests by defining scope of the tests and selecting appropriate minimum sets of tests required to adequately cover the areas of our SaaS software products with the proposed updates, new features and any other areas that are vulnerable to such proposed updates and new features. The purpose of the regression test is to ensure that the overall quality of our SaaS products will not be affected when releasing updates and new features.

### COMPETITION

Our primary competitors in the online video content protection market include SaaS providers who offer online video content protection solutions using digital fingerprinting and/or watermarking technology. According to Frost & Sullivan, the rapidly developing online video content protection market is relatively fragmented with the top five players occupying 27.8% of the global market share in 2016. Several of our existing or potential competitors have long operating histories, large customer bases, strong brand recognition and significant financial, marketing and other resources. We compete primarily based on the quality and coverage of our platforms, including the ability of our VDNA technology to efficiently and effectively identify potential video infringements, the strength of our product management approach, the technical stability and scalability of our infrastructure, the quality of our customer service, the knowledge of the worldwide markets, and the ability to scale our products and services globally. We believe our products’ quality, scalability, stability, and comprehensiveness allow us to compete favorably. In addition, the technological complexity to develop a content discovery and identification platform and the operational scalability to enable global coverage require significant R&D investment and domain expertise, which establish a strong barrier of entry for new entrants to the online video content protection market.



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We are the only major third-party software platform provider to facilitate the conventional home video distribution using a revenue-sharing model in the US, according to the Frost & Sullivan Report. We do not believe that we presently face direct competition for our Conventional PPT platform-based services. However, we believe that the main competition to our Conventional PPT business is the alternative ways for consumer to consume video content other than renting in our video store networks, such as online video streaming.

Our Online PPT platforms facilitate online video distribution on a revenue-sharing basis. Our AVOD PPT platform faces competition from several of the Multi-Channel Networks that have developed in-house content management and claiming capabilities to serve their video channels on YouTube and started to offer third-party solutions to other content owners. In addition, content owners may form direct relationships with online video sites and manage their video channels and claiming activities in-house, which could reduce the demand of our AVOD PPT platform. However, we believe that our advanced VDNA technology, our operational scale, and our established relationship with the content owners give us a competitive advantage to help content owners facilitate online video distribution to online video sites that offer advertising revenue-sharing. Similarly, content owners may form direct relationships with online video sites that support transaction-based revenue sharing, relying on the reporting by the distributors, which could reduce the demand for our TVOD PPT platform. We also face competition from alternative content distribution models such as SVOD, which could reduce the overall consumer demand for TVOD consumption.

For an analysis of the content protection, monetization, and measurement markets, see the section headed "Industry Overview" in this [REDACTED].

## EMPLOYEES

We had 27, 62 and 62 full-time employees as of December 31, 2014, 2015 and 2016. As of Latest Practicable Date, we have 64 employees, with 59 employees in the US, 2 employees in Hong Kong, and 3 employees in Japan. The following table sets forth a breakdown of our employees by function as of Latest Practicable Date:

General and administration .....	15
Sales and marketing .....	30
Research and development .....	12
Operations .....	7

Our success depends on our ability to attract, retain and motivate qualified personnel. We adopt high standards in recruitment with strict procedures to ensure the quality of new hiring and use various methods for our recruitment, including online recruitment, internal recommendation and recruiting through hunting firms or agents, to satisfy our demand of different types of talent. We believe that we have developed a corporate culture that encourages performance, professionalism and passion.

We typically enter into standard contracts regarding confidentiality and intellectual property with our executive officers, managers and employees. These contracts with our US employees also provide that employment is at will, and may be terminated by us or the employee for any or no reason. In addition, our agreements with certain of our Oregon, US employees typically include a non-competition provision effective during and up to two years after their employment with us. Our agreements with our US employees also provide that for one year after their employment ceases, they may not solicit our employees to work elsewhere.

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We believe we have a good working relationship with our employees, who are not unionized to date, and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations. Nonetheless, we are exposed to risks relating to employee retention.

### PROPERTIES

We do not own any real property for our operations. As of the Latest Practicable Date, we lease an aggregate area of approximately 1,500 square meters in our Santa Clara, California, Portland, Oregon, Los Angeles, California, and Tokyo, Japan offices. We believe that our existing facilities are adequate for our current requirements, and that additional space can be obtained on commercially reasonable terms to meet our future requirements. We do not anticipate undue difficulty in renewing our leases upon their expiration.

As of the Latest Practicable Date, we had no single property with a carrying amount of 15.0% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the [REDACTED] to include any valuation report in this [REDACTED]. Pursuant to Section 6(2) of the Companies Ordinance (Exemption of Companies and [REDACTED] from Compliance with Provisions) Notice, this [REDACTED] is exempted from compliance with the requirements of Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

### RISK MANAGEMENT, INTERNAL CONTROL AND CORPORATE GOVERNANCE

We have established a set of risk management policies and measures to identify, evaluate and manage risks arising from our operations. Details on risk categories identified by our management, reporting and disclosure mechanism, remedial measures and contingency management have been codified in our policies and adopted by us or will be adopted by us upon the [REDACTED]. For more details of the major risks we have identified, see the section entitled "Risk Factors" in this [REDACTED].

- *Protection and back-up of source code.* The protection and back-up of the source code of our software are crucial to maintaining our competitiveness. If there is any leakage of source code, it may be able to be modified and reprogrammed to develop competitive products that are similar to ours, thus adversely affecting our business. In order to reduce this risk, we require the key personnel responsible for the back-up and management protection of source code to sign confidentiality agreement to ensure information safety. When there is any delay or technical failure during the back-up of source code, we may lose important code or information, which will increase our expenses and delay the release of products. To mitigate this risk, we have increased investment in information back-up systems to shorten the back-up time and enhance the systems' reliability.

## BUSINESS

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- *Protection of software and data access.* Our software adopts HTTPS protocol for data encryption during data transit between server and client, and utilizes role-based access control policy that grants users remote access to specific modules and functions of the software platforms based on the user’s specific role. User name and password are required to access any function of our software program, preventing data theft and unauthorized use of our software.
- *Protection of customer data.* In our SaaS business, we retain limited customer information provided to us during software registration. We use encryption and segregate customer information to prevent data leakage. We also use physical security procedures to protect and limit our access and use of user information.
- *Protection of our cloud platform and cloud service system.* We utilize high-availability clusters comprising groups of servers to provide sufficient redundancy and ensure continued services in the event of server failure due to disk crashes, cyber attacks, system errors or other reasons.
- The establishment of an audit committee responsible for overseeing the financial records, internal control procedures and risk management systems of our company. For more details, see the section headed “Directors and Senior Management” in this [REDACTED].
- The appointment of [REDACTED] as our [REDACTED] upon the [REDACTED] to advise us on compliance with the [REDACTED].
- We do not engage in currency hedges. Most of our business activities are denominated in US\$ and we believe we do not subject to significant foreign currency risk. We did not enter into any hedging contract during the Track Record Period.

## INSURANCE

We believe that we carry typical insurance policies for our industry and size. Our policies include general liability insurance, workers’ compensation insurance, directors’ and officers’ insurance, product liability insurance, and errors and omissions insurance. In some instances we have listed certain of our customers as co-insureds on our policies. We believe that our insurance coverage is sufficient for our current needs and is in line with industry practice as of the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we had not made, neither had ever been the subject of, any material insurance claims.

For more details, see “Risk Factors – We may not maintain adequate property and business insurance coverage” in this [REDACTED].

## **BUSINESS**

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### **HEALTH, WORK SAFETY AND ENVIRONMENTAL MATTERS**

We do not believe that our industry involves, nor does the nature of our business expose us to, a substantial risk of environmental, health or work safety matters. We are, and have been, in material compliance with all environmental, health and work safety laws and regulations applicable to us. As of the Latest Practicable Date, we have not been involved in any material environmental claims, lawsuits, penalties or administrative sanctions. As of the Latest Practicable Date, we have not been subject to material claims for personal or property damages or for health or safety related compensation from our employees or dispatched workers.

### **LEGAL PROCEEDINGS AND COMPLIANCE**

During the Track Record Period and up to the Latest Practicable Date, there are no material legal proceedings, regulatory inquiries or investigations pending or, to our knowledge, threatened against us or our Directors that could have a material adverse effect on our operations, financial condition, results of operations or reputation. From time to time, we may initiate legal proceedings in order to protect our contractual and property rights. In addition, we may be subject to future claims that we have infringed the intellectual property rights of others.

Our business operations are not heavily regulated in jurisdictions in which we operate, and we do not hold any material business licenses or approval other than general corporate registration licenses in connection with the incorporation or establishment process. We hold all such necessary licenses and we did not and do not expect to experience any significant difficulty or delay in obtaining them. During the Track Record Period and up to the Latest Practicable Date, we have been in compliance with all applicable laws and regulations in all material respects.

## DIRECTORS AND SENIOR MANAGEMENT

### GENERAL Directors

The following table sets forth the information of our Directors:

Name	Age	Position(s)	Date of joining our Group	Date of appointment	Roles and responsibilities
Mr. Yangbin Bernard WANG	48	Chairman, Executive Director and Chief Executive Officer	May 20, 2005	July 28, 2016	Corporate vision, product strategy, business development and operations of our Group, chairman of Nomination Committee
Mr. Michael Paul WITTE	58	Executive Director and Executive Vice President of Business Development and Sales	January 14, 2008	June 21, 2017	Overseeing all sales and customer success of our content protection products in the US and other related business development activities
Mr. ZHU Xianming (朱賢銘)	34	Executive Director and Senior Vice President of Product Management	July 1, 2014	June 21, 2017	Overseeing overall product management and development
Mr. Vernon Edward ALTMAN	71	Non-executive Director	January 1, 2017	January 1, 2017	Providing professional opinion and judgment to our Board, member of our Remuneration Committee
Mr. J David WARGO	63	Non-executive Director	January 1, 2017	January 1, 2017	Providing professional opinion and judgment to our Board, member of our Remuneration Committee
Mr. WONG Wai Kwan (王偉軍)	49	Non-executive Director	June 21, 2017	June 21, 2017	Providing professional opinion and judgment to our Board
Mr. CHAN King Man Kevin (陳敬文)	37	Independent Non-executive Director	[●]	[●]	Providing independent advice and judgment to our Board, chairman of our Audit Committee and member of our Remuneration Committee
Mr. James Alan CHIDDIX	71	Independent Non-executive Director	[●]	[●]	Providing independent advice and judgment to our Board, chairman of our Remuneration Committee and member of our Audit Committee and our Nomination Committee
Mr. Charles Eric EESLEY	37	Independent Non-executive Director	[●]	[●]	Providing independent advice and judgement to our Board, member of our Audit Committee, our Remuneration Committee and our Nomination Committee

## DIRECTORS AND SENIOR MANAGEMENT

### Senior Management

The following table sets forth the information of the members of the senior management of our Group (including our executive Directors):

Name	Age	Position(s)	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities
Mr. Yangbin Bernard WANG	48	Chairman, Executive Director and Chief Executive Officer	May 20, 2005	July 28, 2016	Corporate vision, product strategy, business development and operations of our Group, chairman of Nomination Committee
Mr. Michael Paul WITTE	58	Executive Director and Executive Vice President of Business Development and Sales	January 14, 2008	June 21, 2017	Overseeing all sales and customer success of our content protection products in the US and other related business development activities
Mr. ZHU Xianming (朱賢銘)	34	Executive Director and Senior Vice President of Product Management	July 1, 2014	June 21, 2017	Overseeing overall product management and development
Mr. Timothy John ERWIN	48	Senior Vice President of Sales and Customer Relations	February 1, 2015	February 1, 2015	Overseeing sales, operations and business development activities of our PPT business
Mr. Benjamin Russell SMITH	41	Senior Vice President of Business Development	February 1, 2014	February 1, 2014	Overseeing our ReClaim product sales and other related business development activities
Mr. HO Sai Hong Vincent (何世康)	31	Financial Controller and Company Secretary	November 26, 2016	November 26, 2016	Overseeing overall accounting and financial reporting functions

### BOARD OF DIRECTORS

Our Board consists of nine Directors, of whom three are executive Directors, three are non-executive Directors and three are independent non-executive Directors.

### Executive Directors

**Mr. Yangbin Bernard WANG**, aged 48, is an executive Director, the chairman of our Board and our chief executive officer. He was appointed as a Director on July 28, 2016 and re-designated as an executive Director and appointed as the chairman of our Board on June 21, 2017. He is also the chairman of our Nomination Committee. He is also a director of each of LRC, Vobile Canada, Vobile Hong Kong, Vobile Japan and Vobile US, and the chief executive officer of Vobile LLC. Being the founder of our Group, Mr. Wang joined our



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## DIRECTORS AND SENIOR MANAGEMENT

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Group as the chief executive officer on May 20, 2005 when our first subsidiary Vobile US was established. He has been leading our Group for over 12 years, and has been responsible for corporate vision, product strategy, business development and operations of our Group since its founding. Mr. Wang has also been a director of VideoMobile since July 2005, and was its chief executive officer from July 2005 to January 2017.

Mr. Wang obtained a Master of Science from the University of Florida, Gainesville, United States in August 1993. He graduated with a Bachelor's degree in Engineering from Zhejiang University in Hangzhou, Zhejiang Province, the PRC in July 1991.

**Mr. Michael Paul WITTE**, alias Mike Witte, aged 58, is an executive Director and was appointed on June 21, 2017. He joined our Group on January 14, 2008 as our Executive Vice President of Business Development and Sales and is responsible for overseeing all sales and customer success of our content protection products in the US and other related business development activities, including sourcing new clients and managing and growing our existing client relationships, performing after-sales services and providing ongoing support to our customers, and manages our sales team in Silicon Valley. Mr. Witte has over nine years of experience in the SaaS business since joining the Group.

Mr. Witte obtained a Bachelor of Arts majoring in English from the University of California in Santa Barbara, California, United States in March 1982.

**Mr. ZHU Xianming (朱賢銘)**, alias Simon Zhu, aged 34, is an executive Director and was appointed on June 21, 2017. He joined our Group on July 1, 2014 as our Vice President of New Products and became our Senior Vice President of Product Management on May 1, 2017 and is responsible for overseeing overall product management and development.

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

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

### Non-Executive Directors

**Mr. Vernon Edward ALTMAN**, aged 71, was appointed as a Director on January 1, 2017 and re-designated as a non-executive Director on June 21, 2017. He is also a member of our Remuneration Committee.

Mr. Altman joined Bain & Company, Inc. in June 1973 at its founding, and is currently its Advisory Partner. Mr. Altman has been a director of Abaxis, Inc. (NASDAQ:



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## DIRECTORS AND SENIOR MANAGEMENT

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ABAX) since April 2011 and its lead independent director since April 2014. Mr. Altman was a director of VideoMobile from February 2007 to January 2017.

Mr. Altman graduated with a Master of Science in Management, a Master of Science in Electrical Engineering and a Bachelor of Science in Electrical Engineering from the Massachusetts Institute of Technology in Cambridge, Massachusetts, United States in June 1973.

**Mr. J David WARGO**, aged 63, was appointed as a Director on January 1, 2017 and re-designated as a non-executive Director on June 21, 2017. He is also a member of our Remuneration Committee.

In 1993, Mr. Wargo founded Wargo & Company, Inc., where he currently serves as President. From April 2014 to January 2017, Mr. Wargo was a director of VideoMobile. Since March 2015, Mr. Wargo has been a director of Liberty Broadband Corporation (NASDAQ: LBRDA). Since August 2014, Mr. Wargo has been a director of Liberty TripAdvisor Holdings, Inc. (NASDAQ: LTRPA). Since September 2008, he has been a director of Discovery Communications, Inc. (NASDAQ: DISCA). Since June 2005, Mr. Wargo has been a director of Liberty Global plc (NASDAQ: LBTYK). From May 2005 to September 2008, he served as a director of Discovery Holding Company. Since 2001, he has been a director of Strayer Education, Inc. (NASDAQ: STRA).

Mr. Wargo graduated with a Master in Management majoring in management from the Massachusetts Institute of Technology, Cambridge, Massachusetts, United States in 1978, and a Master in Engineering majoring in nuclear engineering in 1976. He has also obtained a Bachelor of Science majoring in Physics from the Massachusetts Institute of Technology in Cambridge, Massachusetts, United States in 1976.

**Mr. WONG Wai Kwan (王偉軍)**, aged 49, is a non-executive Director and was appointed on June 21, 2017.

Since August 2016, Mr. Wong has been the chief financial officer of ThinkTank Learning Holding Company. From July 2016 to June 2017, Mr. Wong was a consultant of VideoMobile. From December 2011 to June 2016, Mr. Wong served as the General Manager of the Financial Audit Department and the Managing Director of the Internal Audit Department of Shanghai Fosun High Technology (Group) Co., Ltd., a wholly-owned subsidiary of Fosun International Limited (Stock Code: 00656). From January 1997 to March 2000, Mr. Wong served in Ernst & Young's Shanghai office as Manager in its Assurance Department. From August 1992 to December 1996, Mr. Wong was employed by Ernst & Young's Hong Kong office and his last position was Senior Accountant in its Assurance Department.

Since May 2017, Mr. Wong has been an independent non-executive director of Jimei International Entertainment Group Limited (Stock Code: 01159). Since July 2015, Mr. Wong has been an independent non-executive director of Vision Fame International Holding Limited (Stock Code: 01315). From September 2013 to November 2014, he was an independent non-executive director of Karce International Holdings Company Limited (which changed its name to Sinogreen Energy International Group Limited in December 2013 and is now known as Jimei International Entertainment Group Limited since December 2014) (Stock Code: 01159). From June 2010 to October 2013, he was an independent non-executive director of Shougang Concord Technology Holdings Limited (now known as HNA Holding Group Co. Limited) (Stock Code: 00521).

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Wong became a fellow member of Certified Practising Accountants (Australia) in June 2010. He has been a member of the Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants) since January 1997. Mr. Wong has been a member of the Association of Chartered Certified Accountants since January 1996.

Mr. Wong graduated with a Master of Business Administration from Washington University in St. Louis, Washington, United States in December 2009. He obtained a Bachelor of Arts with Honours in Accountancy from the City University of Hong Kong in Hong Kong in November 1992.

### Independent Non-Executive Directors

**Mr. CHAN King Man Kevin (陳敬文)**, aged 37, is an independent non-executive Director and was appointed on [●]. He is also the chairman of our Audit Committee and a member of our Remuneration Committee.

Since April 2008, Mr. Chan has worked for Grant Thornton China, where he currently serves as partner and where he is a member of the Grant Thornton China Advisory Steering Committee and is also responsible for leading a transaction advisory team. From July 2007 to April 2008, Mr. Chan was a Manager in the Corporate Finance (Transaction Services) department at Grant Thornton Services LLP.

Mr. Chan obtained a Bachelor of Science in Economics and Accounting with a Language from the University of Bristol in the United Kingdom in June 2001. Mr. Chan has been a member of the Institute of Chartered Accountants of Scotland since December 2005. He has been a China Chapter Board member with the Association for Corporate Growth since January 2016.

**Mr. James Alan CHIDDIX**, aged 71, is an independent non-executive Director and was appointed on [●]. He is also the chairman of our Remuneration Committee, a member of our Audit Committee and a member of our Nomination Committee.

Since 2009, Mr. Chiddix has been a director of ARRIS International plc (NASDAQ: ARRS). From July 2008 to May 2013, Mr. Chiddix was an independent director of Virgin Media Inc.. From November 2007 to November 2011, Mr. Chiddix was also a director of Dycom Industries, Inc. (NYSE: DY). From February 2009 to May 2010, Mr. Chiddix was a non-executive director of Shougang Concord Technology Holdings Limited (now known as HNA Holding Group Co. Limited) (Stock Code: 00521). From April 2007 to November 2013, Mr. Chiddix was a director of Symmetricon, Inc. From March 2004 to November 2009, Mr. Chiddix was a director of OpenTV Corp, during which time he also served as its executive chairman and chief executive officer from May 2004 to March 2007, and as its vice chairman from May 2007 to November 2009.

**Mr. Charles Eric EESLEY**, aged 37, is an independent non-executive Director and was appointed on [●]. He is also a member of our Audit Committee, our Remuneration Committee and our Nomination Committee.

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## DIRECTORS AND SENIOR MANAGEMENT

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Since 2009, Mr. Eesley has worked at Stanford University, and is currently an Assistant Professor in the Department of Management Science and Engineering and is David T. Morgenthaler Faculty Fellow in the Stanford Technology Ventures Program. In September 2015, he was selected as a Schulze Distinguished Professor under the Schulze Distinguished Professorship Program by the Richard M. Schulze Family Foundation.

Mr. Eesley obtained a Doctor of Philosophy in Management from the Massachusetts Institute of Technology in Cambridge, Massachusetts, United States in June 2009 and a Bachelor of Science from Duke University in Durham, North Carolina, United States in May 2002.

Save as disclosed in this [REDACTED], to the best knowledge, information, and belief of our Directors, having made all reasonable enquiries, each of our Directors has not held any other directorships in [REDACTED] companies during the three years immediately prior to the Latest Practicable Date and there is no other information in respect of the Directors to be disclosed pursuant to Rule 13.51(2) of the [REDACTED] and there is no other matter that needs to be brought to the attention of our Shareholders.

### SENIOR MANAGEMENT

**Mr. Yangbin Bernard WANG**, aged 48, is an executive Director, the chairman of our Board and our chief executive officer. See the paragraph headed “– Directors” in this section for the biography of Mr. Wang.

**Mr. Michael Paul WITTE**, alias Mike Witte, aged 58, is an executive Director and our Executive Vice President of Business Development and Sales. See the paragraph headed “– Directors” in this section for the biography of Mr. Witte.

**Mr. ZHU Xianming (朱賢銘)**, alias Simon Zhu, aged 34, is an executive Director and our Senior Vice President of Product Management. See the paragraph headed “– Directors” in this section for the biography of Mr. Zhu.

**Mr. Timothy John ERWIN**, alias Tim Erwin, aged 48, is our Senior Vice President of Sales and Customer Relations. He joined our Group on February 1, 2015 as Senior Vice President of Sales and Customer Relations and is responsible for overseeing sales, operations and business development activities of our PPT business.

Mr. Erwin has over 20 years of experience in sales and operations for media measurement for the entertainment and media industries. From July 1991 to February 2015, he worked at Rentrak, where his last position was Senior Vice President of Sales and Customer Relations.

**Mr. Benjamin Russell SMITH**, alias Ben Smith, aged 41, is our Senior Vice President of Business Development. He joined our Group on February 1, 2014 as Senior Vice President of Business Development and is responsible for overseeing our ReClaim product sales and other related business development activities.

From April 2012 to January 2014, Mr. Smith was the chief executive officer at Blayze. From September 2003 to October 2009 he served as Strategic Partner Development Senior Associate at Google Inc., where he acquired experience in business development.

Mr. Smith graduated with a Bachelor of Arts, majoring in Political Science and minoring in Legal Studies from Beloit College in Beloit, Wisconsin, United States in December 1997.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. HO Sai Hong Vincent (何世康)**, aged 31, is our Financial Controller and joined our Group on November 26, 2016. He is responsible for overseeing overall accounting and financial reporting functions. He has also been the secretary of our Company since January 1, 2017.

Mr. Ho has around eight years of experience in the auditing and accounting fields. From September 2015 to November 2016, Mr. Ho worked at Convoy Asset Management Limited and his last position was Fund Accounting Manager in the High Net Worth and Strategic Investment Department. From September 2008 to September 2015, Mr. Ho worked at the Assurance Department of Ernst & Young where he last served as Manager.

Mr. Ho has been a member of the Hong Kong Institute of Certified Public Accountants since February 2012. He graduated with a Bachelor of Business Administration in Economics and Accounting from the Hong Kong University of Science and Technology in Hong Kong in May 2008.

Save as disclosed in this [REDACTED], to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, none of the above members of senior management has been a director in any [REDACTED] companies during the three years immediately prior to the Latest Practicable Date.

### COMPANY SECRETARY

**Mr. HO Sai Hong Vincent (何世康)** was appointed as the secretary of our Company on January 1, 2017. See the paragraph headed “– Senior Management” in this section for the biography of Mr. Ho.

### BOARD COMMITTEES

#### Audit Committee

We have established an Audit Committee with written terms of reference in compliance with the Corporate Governance Code (“**Corporate Governance Code**”) set out in Appendix 14 of the [REDACTED]. The primary duties of our Audit Committee are to review and supervise the financial reporting process and internal control system of our Group and provide advice and comments to our Board. Our Audit Committee consists of three independent non-executive Directors, namely, Mr. Chan King Man Kevin, Mr. James Alan Chiddix and Mr. Charles Eric Eesley. Mr. Chan King Man Kevin is the chairman of our Audit Committee.

#### Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with the Corporate Governance Code. The primary duties of our Remuneration Committee are to consider and recommend to our Board the remuneration and other benefits paid by our Company to our Directors. Our Remuneration Committee consists of five Directors, namely, Mr. Vernon Edward Altman, Mr. Chan King Man Kevin, Mr. James Alan Chiddix, Mr. Charles Eric Eesley and Mr. J David Wargo. Mr. James Alan Chiddix is the chairman of our Remuneration Committee.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with the Corporate Governance Code. The primary duties of our Nomination Committee are to make recommendations to our Board on the appointment of Directors and senior management. Our Nomination Committee consists of three Directors, namely, Mr. Yangbin Bernard Wang, Mr. James Alan Chiddix and Mr. Charles Eric Eesley. Mr. Yangbin Bernard Wang is the chairman of our Nomination Committee.

### CORPORATE GOVERNANCE CODE

Pursuant to code provision A.2.1 of the Corporate Governance Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, we do not have a separate chairman and chief executive officer and Mr. Yangbin Bernard Wang currently performs these two roles.

Our Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Company and enables more effective and efficient overall strategic planning for our Company. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Company as a whole.

Save as disclosed above, our Company expects to comply with the Corporate Governance Code. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon [REDACTED].

### COMPENSATION OF OUR DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration (including salaries, allowances and benefits in kind paid and equity-settled share option expense) paid to our Directors for the years ended December 31, 2014, 2015 and 2016 were approximately US\$690,000, US\$873,000 and US\$920,000, respectively.

The aggregate amount of remuneration (including salaries, allowances and benefits in kind and equity-settled share option expense) paid to the five highest paid individuals of our Group for the years ended December 31, 2014, 2015 and 2016 were approximately US\$1,098,000, US\$1,294,000, and US\$1,433,000, respectively.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses determined with reference to salaries paid by comparable companies, economic indicators such as inflation rates, the performance and overall profitability of our Group as well as the individuals' respective experience, integrity and level of contribution. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. In addition to the fees, salaries, allowances, benefits



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## DIRECTORS AND SENIOR MANAGEMENT

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in kind or bonuses, our Company has adopted the Pre-[REDACTED] Share Option Scheme and conditionally adopted the Post-[REDACTED] Share Option Scheme, pursuant to which options to subscribe for Shares may be granted to directors, full-time or part-time employees, consultants and advisers of our Group. For more details of the Pre-[REDACTED] Share Option Scheme and the Post-[REDACTED] Share Option Scheme, see the sections headed "Statutory and General Information – Other Information – Pre-[REDACTED] Share Option Scheme" and "Statutory and General Information – Other Information – Post-[REDACTED] Share Option Scheme", respectively, in Appendix IV in this [REDACTED].

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or the five largest paid individuals (i) as an inducement to join or upon joining our Group or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. In addition, none of our Directors has waived any emoluments.

Save as disclosed above, no other payments have been paid or are payable by our Group to our Directors and the five highest paid individuals during the Track Record Period.

### DIRECTORS' INTERESTS

None of our Directors are interested in any business, apart from our business, which competes or is likely to compete, either directly or indirectly, with our business which would require disclosure under Rule 8.10(2) of the [REDACTED].

#### [REDACTED]

Pursuant to Rule 3A.19 of the [REDACTED], our Company has appointed [REDACTED] to act as our [REDACTED]. The [REDACTED] will provide advice to us when consulted by us on the following circumstances pursuant to Rule 3A.23 of the [REDACTED]:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction under the [REDACTED], is contemplated including share issues and share repurchases;
- (c) where our Company proposes to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this [REDACTED] or where our business activities, developments or results deviate from any forecast, estimate or other information of this [REDACTED]; and
- (d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares, the possible development of a false market in its securities, or any other matters.

The term of this appointment will commence on the [REDACTED] and is expected to end on the date on which we comply with Rule 13.46 of the [REDACTED] on the distribution of our annual report in respect of the financial results of the first full financial year commencing after the [REDACTED].

## SHARE CAPITAL

### AUTHORIZED AND ISSUED SHARE CAPITAL

The authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the [REDACTED] and the [REDACTED] are as follows:

		<u>Total nominal value</u> (US\$)
<i>Authorized share capital:</i>		
<u>8,000,000,000</u>	Shares of US\$0.0001 each	<u>800,000.0000</u>
<i>Issued and to be issued, fully paid or credited as fully paid:</i>		
32,199,429	Shares in issue as at the date of this [REDACTED]	3,219.9429
9,809,530	Series A Preference Shares in issue as at the date of this [REDACTED] and to be converted into same number of Shares on the [REDACTED]	980.9530
18,962,964	Series B Preference Shares in issue as at the date of this [REDACTED] and to be converted into same number of Shares on the [REDACTED]	1,896.2964
12,550,280	Series C Preference Shares in issue as at the date of this [REDACTED] and to be converted into same number of Shares on the [REDACTED]	1,255.0280
9,771,431	Series D Preference Shares in issue as at the date of this [REDACTED] and to be converted into same number of Shares on the [REDACTED]	977.1431
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
<u>[REDACTED]</u>	Shares	<u>[REDACTED]</u>

### ASSUMPTIONS

The above table assumes that the [REDACTED] becomes unconditional and the [REDACTED] is completed. It takes no account of (a) any Shares issued upon exercise of the [REDACTED] or the options which have been granted the Pre-[REDACTED] Share Option Scheme or may be granted under our Post-[REDACTED] Share Option Scheme; (b) any Shares which may be issued under the general mandate given to our Directors for the issue and allotment of Shares; or (c) any Shares which may be repurchased by us pursuant to the general mandate given to our Directors for the repurchase of Shares.



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## SHARE CAPITAL

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### RANKING

The [REDACTED] will rank *pari passu* in all respects with all other Shares currently in issue or to be issued as mentioned in this [REDACTED], and, in particular, will rank in full for all dividends and other distributions hereafter declared, made or paid on the Shares after the date of this [REDACTED] except in respect of the [REDACTED].

### [REDACTED]

Conditional on the share premium account of our Company being credited as a result of the issue of [REDACTED] pursuant to the [REDACTED], our Directors were authorized to capitalize an amount of US\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par for [REDACTED] Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at close of business on [●], 2017 (or as they may direct) in proportion as nearly as possible without involving the issue of fractions of Shares to their then respective shareholdings in our Company, and our Directors be authorized to allot and issue such Shares as aforesaid and to give effect to the [REDACTED] and the Shares to be allotted and issued will rank *pari passu* with all Shares then in issue.

### PRE-[REDACTED] SHARE OPTION SCHEME

Our Company adopted the Pre-[REDACTED] Share Option Scheme on December 30, 2016 under which the Pre-[REDACTED] Options to subscribe for an aggregate of 4,000,000 Shares (to be adjusted to an aggregate of [REDACTED] Shares upon the [REDACTED] becoming effective, representing approximately [REDACTED]% of the total issued share capital of our Company immediately upon completion of the [REDACTED] and [REDACTED] but taking no account of any Shares that may be issued pursuant to the exercise of the [REDACTED] or the options which have been granted under the Pre-[REDACTED] Share Option Scheme or may be granted under the Post-[REDACTED] Share Option Scheme) at an exercise price of US\$0.50 to US\$0.55 (equivalent to approximately HK\$3.8965 to HK\$4.2861) per Share (to be adjusted to US\$[REDACTED] to US\$[REDACTED] (equivalent to approximately HK\$[REDACTED] to HK\$[REDACTED]) per Share upon the [REDACTED] becoming effective, representing a discount of approximately [REDACTED]% to [REDACTED]% to an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]) were granted to certain directors, senior management members, employees and consultants of our Group. For more details of the Pre-[REDACTED] Share Option Scheme, see the section headed “Statutory and General Information – Other Information – Pre-[REDACTED] Share Option Scheme” in Appendix IV in this [REDACTED].

### POST-[REDACTED] SHARE OPTION SCHEME

Our Company has conditionally adopted the Post-[REDACTED] Share Option Scheme under which options to subscribe for Shares may be granted to the employees (full-time or part-time), directors, consultants and advisers of our Group. For more details of the Post-[REDACTED] Share Option Scheme, see the section headed “Statutory and General Information – Other Information – Post-[REDACTED] Share Option Scheme” in Appendix IV in this [REDACTED].

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## SHARE CAPITAL

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### GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, general mandates have been granted to our Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by our Directors other than pursuant to:

- (a) a rights issue;
- (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association;
- (c) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of:
  - (i) 20% of the total nominal value of our share capital in issue immediately following the completion of the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options that have been granted the Pre-[REDACTED] Share Option Scheme or may be granted under the Post-[REDACTED] Share Option Scheme); and
  - (ii) the total nominal value of our share capital repurchased by us (if any) under the general mandate to repurchase Shares referred to in the section headed “– General Mandate to Repurchase Shares” below.

This general mandate to issue Shares will expire:

- (a) at the conclusion of our next annual general meeting; or
- (b) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (c) when varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

For more details of this general mandate, see the section headed “Statutory and General Information – Further Information about our Group – Extraordinary general meeting of our Shareholders held on [●] 2017” in Appendix IV in this [REDACTED].

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed “Structure of the [REDACTED] – Conditions of the [REDACTED]”, our Directors have been granted a general unconditional mandate to exercise all of our powers to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following the completion of the [REDACTED] and the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options that have been granted the Pre-[REDACTED] Share Option Scheme or may be granted under the Post-[REDACTED] Share Option Scheme).

## SHARE CAPITAL

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This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are [REDACTED] (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with the [REDACTED]. A summary of the relevant [REDACTED] is set out in the section headed “Statutory and General Information – Further Information about Our Group – Repurchases of our own securities” in Appendix IV to this [REDACTED].

This general mandate to repurchase Shares will expire:

- (a) at the conclusion of our next annual general meeting; or
- (b) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (c) when varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

For more details of this general mandate, see the section headed “Statutory and General Information – Further Information about Our Group – Extraordinary general meeting of our Shareholders held on [●] 2017” in Appendix IV in this [REDACTED].

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED], or any options granted under the Pre-[REDACTED] Share Option Scheme and may be granted under the Post-[REDACTED] Share Option Scheme are not exercised), the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of shareholder	Nature of interest	Number of Shares <sup>(1)</sup>	Approximate percentage of shareholding
LU Jian	Beneficial owner	[REDACTED] (L)	[REDACTED]
Steamboat Ventures II, LLC <sup>(2)</sup>	Beneficial owner	[REDACTED] (L)	[REDACTED]
Steamboat Ventures Manager II, LLC <sup>(2)</sup>	Interest in a controlled corporation	[REDACTED] (L)	[REDACTED]
John BALL <sup>(2)</sup>	Interest in a controlled corporation	[REDACTED] (L)	[REDACTED]
EDB Investments Pte Ltd <sup>(3)</sup>	Beneficial owner	[REDACTED] (L)	[REDACTED]
EDBI Pte Ltd. <sup>(3)</sup>	Interest in a controlled corporation	[REDACTED] (L)	[REDACTED]
Economic Development Board of Singapore <sup>(3)</sup>	Interest in a controlled corporation	[REDACTED] (L)	[REDACTED]
IPV Capital II HK Limited <sup>(4)</sup>	Beneficial owner	[REDACTED] (L)	[REDACTED]
IPV Capital II, L.P. <sup>(4)</sup>	Interest in a controlled corporation	[REDACTED] (L)	[REDACTED]
IPV Capital II-S, L.P. <sup>(4)</sup>	Interest in a controlled corporation	[REDACTED] (L)	[REDACTED]
IPV Management II, L.P. <sup>(4)</sup>	Interest in a controlled corporation	[REDACTED] (L)	[REDACTED]
IPV Management II, Ltd. <sup>(4)</sup>	Interest in a controlled corporation	[REDACTED] (L)	[REDACTED]
Tingru LIU <sup>(4)</sup>	Interest in a controlled corporation	[REDACTED] (L)	[REDACTED]
Terence Eng Chuan TAN <sup>(4)</sup>	Interest in a controlled corporation	[REDACTED] (L)	[REDACTED]
Leading Season Limited <sup>(5)</sup>	Beneficial owner	[REDACTED] (L)	[REDACTED]
WANG Huimin <sup>(5)</sup>	Interest in a controlled corporation	[REDACTED] (L)	[REDACTED]
YAO Xiaojun <sup>(5)</sup>	Interest in a controlled corporation	[REDACTED] (L)	[REDACTED]

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## SUBSTANTIAL SHAREHOLDERS

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*Notes:*

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Steamboat Ventures II, LLC is a limited liability company organized under the laws of the state of Delaware of the US. Steamboat Ventures Manager II, LLC is the managing member of Steamboat Ventures II, LLC. Steamboat Ventures Manager II is also the general partner of Steamboat Ventures II Co-Investment Fund, LP, a limited partnership established under the laws of the state of Delaware of the US. Steamboat Ventures II, LLC and Steamboat Ventures II Co-Investment Fund, LP will hold [REDACTED] Shares and [REDACTED] Shares, respectively, immediately following the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED], or any options which have been granted under the Pre-[REDACTED] Share Option Scheme and may be granted under the Post-[REDACTED] Share Option Scheme are not exercised), and Steamboat Ventures Manager II, LLC is deemed to be interested in [REDACTED] Shares in aggregate held by Steamboat Ventures II, LLC and Steamboat Ventures II Co-Investment Fund, LP. John Ball is the managing member of Steamboat Ventures Manager II, LLC. Under the SFO, Steamboat Ventures Manager II, LLC and John Ball are deemed to be interested in the Shares held by Steamboat Ventures II, LLC and Steamboat Ventures II Co-Investment Fund, LP.
- (3) EDB Investments Pte Ltd. is wholly owned by the Economic Development Board of Singapore. EDBI Pte. Ltd. is the sole exclusive fund manager of EDB Investments Pte Ltd. Under the SFO, the Economic Development Board of Singapore and EDBI Pte. Ltd. are deemed to be interested in the Shares held by EDB Investments Pte Ltd.
- (4) IPV Capital II HK Limited is owned as to 59.73% by IPV Capital II, L.P. and 40.27% by IPV Capital II-S, L.P.. IPV Management II, L.P. is the general partner of IPV Capital II, L.P. and IPV Capital II-S, L.P.. The general partner of IPV Management II, L.P. is IPV Management II, Ltd., which is owned as to 50% by Tingru Liu and 50% by Terence Eng Chuan Tan. Under the SFO, IPV Capital II, L.P., IPV Capital II-S, L.P., IPV Management II, L.P., IPV Management II, Ltd., Tingru Liu and Terence Eng Chuan Tan are deemed to be interested in the Shares held by IPV Capital II HK Limited.
- (5) Leading Season Limited is owned as to 50% by Wang Huimin and 50% by Yao Xiaojun. Under the SFO, Wang Huimin and Yao Xiaojun are deemed to be interested in the Shares held by Leading Season Limited.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the [REDACTED] and the [REDACTED] and assuming that the [REDACTED] or any options granted under the Pre-[REDACTED] Share Option Scheme and may be granted under the Post-[REDACTED] Share Option Scheme are not exercised, have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

## NO CONTROLLING SHAREHOLDER

Our Company has no controlling shareholder.

## FINANCIAL INFORMATION

*You should read the following discussion and analysis with (i) our consolidated financial information, including the notes thereto, as of and for the three years ended December 31, 2014, 2015 and 2016 included in the Accountants' Report set out in Appendix I to this [REDACTED] and (ii) pre-acquisition financial information of Conventional PPT business for the year ended December 31, 2014 and one month ended January 31, 2015 included in the Accountants' Report set out in Appendix I to this [REDACTED]. These Accountants' Reports have been prepared in accordance with IFRS issued by the International Accounting Standards Board.*

*The following discussion and analysis and other parts of this [REDACTED] contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the sections headed "Forward-Looking Statements" and "Risk Factors" in this [REDACTED].*

## OVERVIEW

We are the leading provider of online video content protection services in terms of 2016 revenue with a worldwide market share of 7.5%, according to Frost & Sullivan, helping our content owner customers identify potentially infringing content and reduce infringement-induced revenue loss. Our customers include some of the world's largest film studios, including the Top Seven Global Film Studios, and many other film studios, TV networks and other content owners. Leveraging on our core content identification technology underlying our content protection platforms and customer relationships gained through our acquisition of the Conventional PPT business, we offer two content monetization platforms facilitating online video content distribution using a revenue-sharing model. In addition, we continue to operate the Conventional PPT business which enables revenue-sharing between content owners and video stores for conventional home video distribution.

Through our propriety software platforms, we help our content owner customers protect their content from unauthorized use, measure the viewership of their content, and monetize their content by enabling revenue-sharing for, or in connection with, the distribution of their video content. Our business model can be categorized in two parts:

- Subscription-based SaaS business – consisting of content protection platforms (including VideoTracker and MediaWise) and content measurement platforms (including TV Ad Tracking and Analysis platform and mSync); and
- Transaction-based SaaS business – consisting of content monetization platforms to enable revenue-sharing for conventional home video distribution through our Conventional PPT platform and online video distribution through our Online PPT platforms (including AVOD PPT platform, or "ReClaim," and our newly developed product, TVOD PPT platform).



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## FINANCIAL INFORMATION

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On January 31, 2015, VideoMobile, via Vobile US, acquired the Conventional PPT business from Rentrak. As a result, our historical financial results may not be comparable from period to period. To assist potential investors in evaluating our Group's various businesses, a discussion of the Conventional PPT business on a stand-alone basis prior to the acquisition is included in the section headed "Financial Information – Conventional PPT Business".

Our overall revenue for the years ended December 31, 2014, 2015 and 2016 are US\$10.1 million, US\$17.6 million and US\$16.8 million, respectively. The revenue for our subscription-based SaaS business for the years ended December 31, 2014, 2015 and 2016 are US\$10.1 million, US\$9.7 million and US\$10.4 million, respectively. The revenue for our transaction-based SaaS business for the years ended December 31, 2014, 2015 and 2016 are US\$0.01 million, US\$7.9 million and US\$6.4 million, respectively. We had a net profit of US\$1.8 million, US\$2.6 million and US\$2.8 million for the years ended December 31, 2014, 2015 and 2016, respectively.

### BASIS OF PREPARATION AND PRESENTATION

We have prepared our historical financial information in accordance with IFRS, which comprise all standards and interpretations approved by the International Accounting Standards Board. We adopted IFRS as effective for the accounting period commencing from January 1, 2016, together with the relevant transitional provisions in the preparation of our historical financial information throughout the Track Record Periods.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the Track Record Period include the results and cash flows of all Operating Subsidiaries from the earliest date presented or, if later, since the date when such operating subsidiary was formed. We prepared the consolidated statements of our financial position as of December 31, 2014, 2015 and 2016 to present the assets and liabilities of the Operating Subsidiaries using the existing book values from VideoMobile's perspective. We made no adjustments to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization and we eliminated all intra-group transactions and balances on consolidation.

### SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operation have been, and are expected to be, affected by a number of factors, which primarily include the following:

#### **Technology changes and consumer behavior changes in the media and entertainment industry**

The media and entertainment industry has been and will continue to be characterized by rapid technological change, which could make our products and services obsolete. Our future success will depend in part on our ability to keep pace with the evolving needs of our customers on a timely and cost-effective basis and to pursue new market opportunities that develop as a result of technological advances. For example, the introduction of advanced video manipulation techniques and tools necessitates constant advancements in our content protection technologies. Further, the expansion of global online piracy networks and tools requires us to identify and support the search and discovery of video



## FINANCIAL INFORMATION

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content in those networks and tools. Furthermore, advances in mobile internet technology have enabled new forms of video distribution, including social networking platforms, allowing consumers to directly access over the internet and on their mobile devices a variety of content traditionally limited to their big screen TV. These new forms of video distribution reduce demand for physical video distribution and subsequently, usage of our Conventional PPT platform; however, they could increase demand for our Online PPT platforms. Our failure to keep up with the technological evolution of the entertainment industry and our failure to invest in research and development efforts to adjust our existing products and services to the emerging entertainment industry needs would materially affect our results of operations.

### Competition

Our primary competitors in the online video content protection market include software service providers who offer online video content protection solutions using fingerprinting and/or watermarking technology. The content protection market is very competitive. Several of our existing or potential competitors have long operating histories, large customer bases, strong brand recognition and significant financial, marketing and other resources. They may secure better terms from suppliers, adopt more aggressive pricing and devote more resources to product development, technology, infrastructure, content acquisitions and marketing. New entrants or existing providers may introduce new offerings or enhance their existing offerings or approaches to protect and monetize online video content. Companies may also enter into business combinations or alliances that strengthen their competitive positions.

### Capability to grow our Online PPT platforms to facilitate online video distribution through a revenue-sharing model

Current typical online video distribution business models are based on heavy negotiation and large upfront payments. We believe this model works only for hand-picked blockbuster titles distributed through major online video sites, leaving a large amount of library content sitting idly in the film studios' or TV networks' data centers. Our AVOD PPT platform facilitates advertisement-based video distribution, and we believe it is well-positioned to grow as the online video advertising market grows. In 2017, we introduced a second Online PPT platform, our TVOD PPT platform, to facilitate transactional video-on-demand distribution. Our TVOD PPT platform utilizes a revenue-sharing model similar to our Conventional PPT Platform to help our content owner customers monetize library content and extend their distribution reach to additional online video distributors with economies of scale, achieving economies of scale in the same manner as is done in our Conventional PPT business. We do not know the rate of adoption for its underlying revenue sharing model.

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### **Acquire new and retain existing customers**

In order to achieve sustainable revenue growth, we must upsell and cross-sell our existing content owner customers with expanded content protection product solutions and new monetization services. We must also attract new content owner customers such as film studios and emerging content owners to increase our revenue. However, our sales cycles for new content owner customers can be lengthy due in part to the need to convince the potential customers of the efficacy of our technology and the large number of decision-makers involved. In addition, in some instances a new customer may require additional features in our platform which take time to develop, test, and implement. To attract and retain our customers, we must consistently deliver reliable products and services with desired functionality and generate value to our customers.

### **Our dependence on VideoTracker**

In the years ended December 31, 2014, 2015 and 2016, our gross profit was US\$9.0 million, US\$13.7 million, and US\$13.3 million, respectively, of which nil, US\$5.1 million, and US\$3.2 million, respectively, was generated from our Conventional PPT business. We also believe that the Conventional PPT business generally has a lower level of profitability compared to our other businesses. In the years ended December 31, 2014, 2015, and 2016, our revenue from products other than Conventional PPT was US\$10.1 million, US\$9.8 million and US\$11.8 million, respectively, of which US\$8.6 million, US\$8.0 million and US\$9.0 million or 85.1%, 81.6% and 76.0%, respectively, was generated from VideoTracker. Our operating results in the past depended heavily on our VideoTracker business, although this dependence is declining with the growth of Online PPT business.

### **Changing subscription fees and transaction fees for our customers**

In our subscription-based SaaS business, we enter into subscription fee arrangements with our customers for negotiated recurring fees over a period of time based on certain parameters dependent on the product offering. Changes to the negotiated fees due to expiration of the contract or renegotiation of agreements could have material impact on our results of operations.

For our Conventional PPT business, we negotiate the revenue-sharing terms with both the content owners and the video stores. Changes to the terms of our revenue-sharing arrangements for such agreements entered into or renewed in each particular year would have a material impact on transaction fees and our results of operations.

In our Online PPT businesses, we have revenue-sharing agreements with our content owner customers and third-party distribution networks. We typically negotiate distribution rights and revenue-sharing agreements with each content owner customer on a case-by-case basis. For our AVOD PPT business, or ReClaim, we negotiate the claiming rights and revenue-sharing terms with content owners, while the revenue-sharing terms with online video sites such as YouTube, Dailymotion and Facebook, are determined by and subject to change based on the discretion of the video sites. For our TVOD PPT business, we negotiate the distribution rights and revenue-sharing terms with content owners, and we negotiate distribution agreements with online video sites, similar to our Conventional PPT business. Changes to the terms of our revenue-sharing arrangements for the agreements entered into or renewed in each particular year would have a material impact on our results of operations.

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### **Future US corporate tax rates and value of deferred tax asset**

Our major subsidiary, Vobile US, is subject to US income tax. Reductions in US corporate tax rates have been proposed by US President Donald Trump. For more details, see "Risk Factors – Our effective tax rate is subject to change in the future which would impact our results of operation." If US corporate tax rates decrease, our deferred tax assets at end of any financial period, which are measured at the tax rates that are expected to apply to the period when the assets are realized, will be subject to downward adjustment in value due to the decrease in corporate tax rates. Such an adjustment will be charged to the statement of profit and loss as an income tax expense.

### **CRITICAL ACCOUNTING POLICIES**

Some of our accounting policies that we believe are of critical importance to us are as follows:

#### **Revenue Recognition**

Revenue is recognized when it is probable that the economic benefits will flow to us and when the revenue can be measured reliably.

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

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

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

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

Revenue from the AVOD PPT platform is recognized when the relevant identification and claiming services are rendered and a certain percentage of the incremental advertising revenue is generated.

#### **Business combinations and goodwill**

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

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

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

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

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

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

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

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

### Income tax

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

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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 we operate.

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 a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## FINANCIAL INFORMATION

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### Share-based payments

We and VideoMobile operate a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Our employees (including Directors) and consultants received remuneration in the form of share-based payments, whereby employees and consultants render services as consideration for equity instruments ("**equity-settled transactions**").

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

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and our best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of 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 our 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 we or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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



## FINANCIAL INFORMATION

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### Research and Development Expenses

All research expenses are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, our intention to complete and our 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.

### SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of our financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and 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.

Set forth below are discussion of certain of the accounting policies that we believe involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements.

#### Impairment of goodwill

We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2015 and 2016 was US\$6,839,000. For more details, see note 15 in the Accountants' Report set out in Appendix I to the [REDACTED].

#### Deferred tax assets

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. For more details, see note 16 in the Accountants' Report set out in Appendix I to the [REDACTED].



## FINANCIAL INFORMATION

### Impairment of trade receivables

Impairment of trade receivables is made by assessing the recoverability of trade receivables based on credit history, historical payment pattern, aging of receivable balances, and prevailing market conditions. The identification of doubtful debts requires management judgment and estimates. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of the receivables as well as doubtful debt expenses or write-back of doubtful debt in the period in which such estimate has been changed. For more details of the trade receivables, see note 17 in the Accountants' Report.

### DESCRIPTION OF SELECTED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME LINE ITEMS

The following table sets forth our consolidated statements of profit or loss with line items in absolute amounts:

	Year ended December 31,					
	2014		2015		2016	
	US\$'000	%	US\$'000	%	US\$'000	%
<b>REVENUE</b> .....	10,144	100.0	17,576	100.0	16,794	100.0
Cost of services provided .....	(1,160)	(11.4)	(3,909)	(22.2)	(3,518)	(20.9)
Gross profit .....	8,984	88.6	13,667	77.8	13,276	79.1
Other income and gains .....	1	—	2	—	111	0.7
Selling and marketing expenses ..	(3,324)	(32.8)	(5,609)	(31.9)	(5,085)	(30.3)
Administrative expenses .....	(1,813)	(17.9)	(2,122)	(12.1)	(2,897)	(17.3)
Research and development expenses .....	(980)	(9.7)	(1,376)	(7.8)	(1,260)	(7.5)
Finance costs .....	(5)	—	(2)	—	—	—
Other expenses .....	(136)	(1.3)	(303)	(1.8)	(171)	(1.0)
<b>PROFIT BEFORE TAX</b> .....	2,727	26.9	4,257	24.2	3,974	23.7
Income tax expense .....	(914)	(9.0)	(1,630)	(9.3)	(1,136)	(6.8)
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF OUR COMPANY</b> .....	<u>1,813</u>	<u>17.9</u>	<u>2,627</u>	<u>14.9</u>	<u>2,838</u>	<u>16.9</u>

### Revenue

We are engaged in the provision of SaaS business to help our content owner customers protect, measure and monetize original movie and TV content. We operate in one business unit and have one reportable segment. Our businesses are our subscription-based SaaS business and our transaction-based SaaS business.

## FINANCIAL INFORMATION

### Breakdown by Product

The following table sets forth our revenue breakdown by each of our products under the subscription-based SaaS business and transaction-based SaaS business:

	Year ended December 31,					
	2014		2015		2016	
	US\$'000	%	US\$'000	%	US\$'000	%
<b>Subscription-based SaaS business</b>						
<i>Content Protection</i>						
– VideoTracker .....	8,629	85.1	7,992	45.5	8,960	53.4
– MediaWise .....	1,336	13.2	1,321	7.5	1,073	6.4
<i>Content Measurement</i>	168	1.6	356	2.0	408	2.4
Subtotal .....	10,133	99.9	9,669	55.0	10,441	62.2
<b>Transaction-based SaaS business</b>						
<i>Content Monetization</i>						
– Conventional PPT .....	–	–	7,786	44.3	5,010	29.8
– Online PPT .....	11	0.1	121	0.7	1,343	8.0
Subtotal .....	11	0.1	7,907	45.0	6,353	37.8
Total .....	10,144	100.0	17,576	100.0	16,794	100.0

Our revenue is mainly derived from our subscription-based SaaS business, which accounted for 99.9%, 55.0%, and 62.2% of our total revenue in the years ended December 31, 2014, 2015 and 2016, respectively. The decrease in the percentage of revenue for the subscription-based SaaS business over the total revenue in 2015 was primarily due to acquisition of the Conventional PPT business in January 2015. The increase in revenue from the subscription-based SaaS business in 2016 was mainly due to the increase in the average purchases made by our major customers and the increase in the number of customers. The decrease in revenue from the transaction-based SaaS business was mainly due to the change in consumer preferences from physical video rental to online video consumption, which resulted in a decrease in the number of rental transactions. This decrease was partially offset by an increase in revenue from the Online PPT business of US\$1.1 million from new customers in 2016.

Our revenue from our subscription-based SaaS business is affected mainly by the amount that our major customers are willing to spend on content protection and the amount of that budget we are able to capture.

Our revenue from our Conventional PPT business is affected mainly by the number of rental transactions. The significant decrease in number of rental transactions from 14,101,000 in 2015 to 8,767,000 in 2016 was mainly due to the change in consumers' preference from physical video rental to online video consumption, which caused the demand for physical video rentals to decrease significantly, which also led to a large video store chain ceasing to do business in the summer of 2016.

Our revenue from Online PPT business was solely from AVOD PPT business. Our AVOD PPT revenue increased as we ramped up that business and acquired new customers from US\$0.1 million in 2015 to US\$1.3 million in 2016.

## FINANCIAL INFORMATION

### *Revenue by geographic location*

We generate revenue from customers located mainly in the US, Japan and Hong Kong. The following table sets forth our revenue breakdown by geographical location:

	Year ended December 31,					
	2014		2015		2016	
	US\$'000	%	US\$'000	%	US\$'000	%
United States . . . .	9,473	93.4	16,887	96.1	15,999	95.3
Japan . . . . .	671	6.6	584	3.3	639	3.8
Hong Kong . . . . .	—	—	105	0.6	156	0.9
	<u>10,144</u>	<u>100.0</u>	<u>17,576</u>	<u>100.0</u>	<u>16,794</u>	<u>100.0</u>

Our revenue is mainly generated from our operations in the US, which generated 93.4%, 96.1%, and 95.3% of our total revenue in the years ended December 31, 2014, 2015 and 2016, respectively, which included revenue from both the subscription-based SaaS business and the transaction-based SaaS business. The substantial increase in revenue in 2015 was mainly due to the acquisition of Conventional PPT business in January 2015. The decline in revenue in the US in 2016 over 2015 is due to a decline in revenue from Conventional PPT business which resulted from the change in consumers' consumption patterns from renting movies from video stores to renting movies online, partially offset by an increase in revenue from the Online PPT business.

### **Cost of Services Provided**

#### *Subscription-based SaaS business*

Our cost of services provided consists primarily of hosting and storage costs, depreciation, and other costs. The following table sets forth a breakdown of the components of our cost of services provided in absolute amounts and as percentages of the revenue of our subscription-based SaaS business for the periods indicated:

	Year ended December 31,					
	2014		2015		2016	
	US\$'000	%	US\$'000	%	US\$'000	%
Hosting and storage costs . . .	789	7.8	1,012	10.5	1,268	12.1
Depreciation . . . . .	119	1.2	51	0.5	81	0.8
Other costs . . . . .	251	2.4	190	2.0	222	2.1
	<u>1,159</u>	<u>11.4</u>	<u>1,253</u>	<u>13.0</u>	<u>1,571</u>	<u>15.0</u>

## FINANCIAL INFORMATION

### *Hosting and storage costs*

Hosting and storage costs primarily consisted of charges for cloud computing hosting, data storage, and network bandwidth used. Hosting and storage costs as a percentage of the revenue of our total subscription-based SaaS business increased from 7.8% in 2014 to 10.5% in 2015, and further increased to 12.1% in 2016 primarily as a result of the increase in the volume of video content that we process as part of our content protection SaaS business operations which caused us to increase our content protection platform processing capability during the Track Record Period. We expect to continue to require additional content protection capability but we also expect to receive volume discounts from our suppliers.

### *Other costs*

Other costs primarily consisted of travelling, rental, office and other costs. Other costs remained stable at 2.4%, 2.0% and 2.1% for the years ended December 31, 2014, 2015 and 2016, respectively.

### *Transaction-based SaaS business*

Our cost of services provided consists primarily of (i) delivery and operation costs; (ii) hosting and storage costs; and (iii) warehouse costs. The following table sets forth a breakdown of the components of our cost of services provided in absolute amounts and as percentages of revenue of our transaction-based SaaS business for the periods indicated:

	Year ended December 31,					
	2014		2015		2016	
	US\$'000	%	US\$'000	%	US\$'000	%
Delivery and operation costs . .	—	—	1,868	23.6	1,469	23.1
Hosting and storage costs . . .	1	9.1	419	5.3	291	4.6
Warehouse costs . .	—	—	368	4.7	182	2.9
Other costs . . . . .	—	—	1	—	5	0.1
	<u>1</u>	<u>9.1</u>	<u>2,656</u>	<u>33.6</u>	<u>1,947</u>	<u>30.7</u>

### *Delivery and operation costs*

Delivery and operation costs consist of costs incurred to deliver video discs to video stores. Delivery and operation costs as a percentage of our revenue from the transaction-based SaaS business remained stable in 2015 and 2016 at 23.6% and 23.1%, respectively.

### *Hosting and storage costs*

Hosting and storage costs primarily consisted of charges for cloud computing hosting, data storage, and network bandwidth used. Hosting and storage costs as a percentage of our revenue from transaction-based SaaS business remained relatively stable in 2015 and 2016 at 5.3% and 4.6%, respectively.

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### Gross profit margin

	Year ended December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
<u>Gross profit</u>			
Subscription-based SaaS business . . . . .	8,974	8,416	8,870
Transaction-based SaaS business <sup>(1)</sup> . . . . .	10	5,251	4,406
Total . . . . .	<u>8,984</u>	<u>13,667</u>	<u>13,276</u>
<u>Gross profit margin (%)</u>			
Subscription-based SaaS business . . . . .	88.6	87.0	85.0
Transaction-based SaaS business <sup>(2)</sup> . . . . .	90.9	66.4	69.4
Overall . . . . .	<u>88.6</u>	<u>77.8</u>	<u>79.1</u>

*Notes:*

- (1) The gross profit contributed by Conventional PPT business was US\$5.1 million and US\$3.2 million in 2015 and 2016, respectively.
- (2) The gross profit margin of the Conventional PPT business was 66.0% and 64.7% in 2015 and 2016, respectively.

### *Subscription-based SaaS business*

Gross profit margin decreased from 88.6% in 2014 to 87.0% in 2015, and decreased further to 85.0% in 2016 primarily due to the increase in hosting and storage costs as a percentage of the revenue throughout the Track Record Period.

### *Transaction-based SaaS business*

Gross profit margin decreased from 90.9% in 2014 (based on revenue of only US\$0.01 million) to 66.4% in 2015, reflecting the acquisition of the Conventional PPT business which had a lower gross profit margin than our Online PPT business. Gross profit margin increased from 66.4% in 2015 to 69.4% in 2016 due to the increase in revenue from our relatively higher margin Online PPT business and the decrease in our relatively lower margin Conventional PPT business.

### Other income and gains

Other income and gains primarily consist of interest income from our bank deposits for the years ended December 2014, and 2015. Other income and gains also included a working capital adjustment from the acquisition of the Conventional PPT business of US\$64,000 and a foreign exchange gain of US\$45,000 for the year ended December 31, 2016. For the years ended December 31, 2014, 2015 and 2016, our other income and gain represented 0.01%, 0.01% and 0.7% of our revenue, respectively.

## FINANCIAL INFORMATION

### Selling and marketing expenses

Our selling and marketing expenses consists primarily of (i) salaries and benefits paid to our sales and marketing staff, (ii) marketing expenses, (iii) traveling expenses for sales and marketing staff, (iv) office expenses, and (v) rental expenses. The following table sets forth a breakdown of the components of our selling and marketing expenses in absolute amounts and as percentages of revenue for the periods indicated:

	Year ended December 31,					
	2014		2015		2016	
	US\$'000	%	US\$'000	%	US\$'000	%
Salaries and benefits . . . . .	2,217	21.8	3,929	22.4	3,657	21.8
Marketing expenses . . . . .	506	5.0	739	4.2	477	2.8
Traveling expenses . . . . .	273	2.7	332	1.9	245	1.5
Office expenses . . .	151	1.5	271	1.5	303	1.8
Rental expenses . . .	129	1.3	228	1.3	267	1.6
Other expenses . . . .	48	0.5	110	0.6	136	0.8
	<u>3,324</u>	<u>32.8</u>	<u>5,609</u>	<u>31.9</u>	<u>5,085</u>	<u>30.3</u>

Salaries and benefits consist of salaries and other benefits paid to our sales and marketing staff. Salaries and benefits as a percentage of our total revenue remained stable for 2014, 2015 and 2016 at 21.8%, 22.4% and 21.8%, respectively.

Marketing expenses consist of expenses for conducting market researches and promotional activities. Marketing expenses as a percentage of our total revenue decreased from 5.0% in 2014 to 4.2% in 2015 due to the acquisition of the Conventional PPT business from Rentrak which is in a state that requires less marketing effort in 2015 and further to 2.8% in 2016 due to efficiency gains resulting from the integration of the personnel and marketing programs of our SaaS businesses.

## FINANCIAL INFORMATION

### Administrative expenses

Our administrative expenses consist primarily of (i) salaries and benefits paid to our general and administrative staff, (ii) [REDACTED] expenses, (iii) legal and professional fees, and (iv) office expenses. The following table sets forth a breakdown of the components of our administrative expenses in absolute amounts and as percentages of revenue for the periods indicated:

	Year ended December 31,					
	2014		2015		2016	
	US\$'000	%	US\$'000	%	US\$'000	%
Salaries and benefits . . . . .	1,108	10.9	1,433	8.2	1,538	9.2
[REDACTED] expenses . . . . .	—	—	—	—	[REDACTED]	[REDACTED]
Legal and professional fees .	500	5.0	425	2.4	209	1.3
Office expenses . . .	91	0.9	138	0.8	99	0.6
Other expenses . . . .	114	1.1	126	0.7	75	0.4
	<u>1,813</u>	<u>17.9</u>	<u>2,122</u>	<u>12.1</u>	<u>2,897</u>	<u>17.3</u>

Salaries and benefits consist of salaries and other benefits paid to our administrative staff. Salaries and benefits as a percentage of our total revenue decreased from 10.9% in 2014 to 8.2% in 2015 reflecting the post-acquisition integration of our staff between Conventional PPT business and others. Salaries and benefits increased from 8.2% in 2015 to 9.2% in 2016, primarily as a result of an increase in the average salaries of employees.

We incurred expenses related to the [REDACTED] starting in fiscal 2016. Legal and professional fees which primarily incurred in connection with the acquisition of the Blayze assets and the Conventional PPT business. These expenses were lower in 2016 than 2014 and 2015 because we made no acquisitions during 2016.

### Research and development expenses

Our research and development expenses amounted to US\$1.0 million, US\$1.4 million and US\$1.3 million for the years ended December 31, 2014, 2015 and 2016, respectively. Research and development expenses consist primarily of salaries and benefits expenses of US\$0.7 million, US\$1.2 million and US\$1.1 million, respectively for the years ended December 31, 2014, 2015 and 2016.

Research and development expenses as a percentage of our total revenue decreased from 9.7% in 2014 to 7.8% in 2015 primarily due to the acquisition of Conventional PPT business which is in a state that requires less research and development. The research and development costs as a percentage of our total revenue was relatively stable in 2015 and 2016.



## FINANCIAL INFORMATION

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### **Other expenses**

Other expenses consist of foreign exchange losses, bad debt expenses, and other miscellaneous expenses. For the years ended December 31, 2014, 2015 and 2016, our other expenses of US\$0.1 million, US\$0.3 million and US\$0.2 million, representing 1.3%, 1.8%, 1.0% of our revenue, respectively. The percentage increase in other expenses in 2015 was mainly due to the incurrence of bad debt expenses of US\$0.1 million.

### **Income tax expense**

Our total income tax expenses were US\$0.9 million, US\$1.6 million, and US\$1.1 million for the years ended December 31, 2014, 2015 and 2016, respectively. Our total income tax payments were US\$3,000, nil and US\$18,000 for the years ended December 31, 2014, 2015 and 2016, respectively. Our effective tax rates for the year ended 2014, 2015 and 2016 were 33.5%, 38.3% and 28.6%, respectively.

### ***United States***

Our effective tax rate is the quotient of our income tax expense divided by our profit before tax. Our income tax expense primarily consisted of utilization during the year of tax losses and allowances brought forth during the year as well as other changes in deferred tax assets. Utilization of tax losses and allowances during the year is the product of (a) the pre-tax profit for the year plus allowances utilized during the year, and (b) the composite US tax rate. Our composite US tax rate varied during the Track Record Period between 38.5% and 39.8% based on the proportion of Vobile US' gross revenue generated in Oregon versus California. Other changes in deferred tax assets are mainly caused by the change in composite tax rate. Our deferred tax assets are calculated by the product of temporary differences and the composite tax rate. Temporary differences include unutilized tax losses, tax credits from research and development costs and other deductions. The outstanding unutilized tax losses and deductions as at December 31, 2014, 2015 and 2016 amounted to US\$16.2 million, US\$13.2 million and US\$9.8 million, respectively.

In 2015 we acquired the Conventional PPT business located in Oregon which resulted in a decrease of our composite tax rate, a decrease in our deferred tax assets, and an increase in our income tax expense and an increase in our effective rate. In 2016, the proportion of our US revenue generated in Oregon decrease, resulting in an increase in our composite tax rate, an increase in our deferred tax assets, and a decrease in our income tax expense and a decrease in our effective tax rate.

### ***Cayman Islands***

We are an exempt company with limited liability incorporated in the Cayman Islands. Under the Cayman Islands law, we are not subject to income or capital gains tax in the Cayman Islands.

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## FINANCIAL INFORMATION

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### ***Hong Kong***

Vobile Hong Kong was incorporated on December 18, 2014 and is subject to a profit tax rate of 16.5% on the estimated assessable profit derived from its Hong Kong operation. Vobile Hong Kong recorded profit before tax of US\$14,000 and US\$18,000 for the years ended December 31, 2015 and 2016, respectively.

### ***Japan***

Vobile Japan is subject to a statutory profit tax rate of 15% on the estimated assessable profit derived from its Japan operation. For the years ended December 31, 2014, 2015 and 2016, Vobile Japan recorded profit before tax of US\$101,000 US\$65,000 and US\$53,000, respectively.

### **Profit for the year and net profit margin**

Our profit for the years ended December 31, 2014, 2015 and 2016 amounted to US\$1.8 million, US\$2.6 million and US\$2.8 million, respectively. Our net profit margin decreased from 17.9% in 2014 to 14.9% in 2015, and then increased to 16.9% in 2016.

## **PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS**

### **Year Ended December 31, 2016 Compared With Year Ended December 31, 2015**

#### ***Revenue***

Our revenue decreased by US\$0.8 million or 4.4% from US\$17.6 million in 2015 to US\$16.8 million in 2016.

Revenue derived from the subscription-based SaaS business increased by US\$0.7 million or 8.0% from US\$9.7 million in 2015 to US\$10.4 million in 2016. The increase was primarily due to the increase in purchases by certain of our major customers and an increase in the number of customers we had in 2016.

Revenue derived from the transaction-based SaaS business decreased by US\$1.5 million or 19.7% from US\$7.9 million in 2015 to US\$6.4 million in 2016. The decrease in revenue from the transaction-based SaaS business was mainly due to the change in consumer preferences from physical video rental to online video consumption, which resulted in a decrease in the number of rental transactions. Furthermore, the number of video stores with whom we do business decreased from an average of approximately 1,200 to an average of approximately 800 when a large video store chain went out of business in the summer of 2016. The revenue generated from the Conventional PPT business decreased US\$2.8 million from US\$7.8 million in 2015 to US\$5.0 million in 2016. This was partially offset by an increase in revenue from our Online PPT business.

## FINANCIAL INFORMATION

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### ***Cost of services provided***

Our cost of services provided is comprised mainly of the hosting and storage costs and delivery and operation costs which decreased by US\$0.4 million or 10.0% from US\$3.9 million in 2015 to US\$3.5 million in 2016. The decrease was due to the decrease in the delivery and operation costs resulting from the lower number of video discs shipped under the Conventional PPT business.

Hosting and storage costs increased from US\$1.4 million in 2015 to US\$1.6 million in 2016 due to an increase in the volume of video content we processed during our content protection SaaS business operations, which caused us to increase our content protection platform processing capability. This in turn resulted in increased hosting and storage costs paid to infrastructure providers.

Delivery and operation costs decreased US\$0.4 million or 21.4% from US\$1.9 million in 2015 to US\$1.5 million in 2016 due to the decrease in the number of video disc shipped under the Conventional PPT business.

### ***Gross profit and gross profit margin***

Our gross profit decreased US\$0.4 million or 2.9% from US\$13.7 million in 2015 to US\$13.3 million in 2016. Our gross profit from the Conventional PPT business decreased US\$1.9 million or 37.0% from US\$5.1 million in 2015 to US\$3.2 million in 2016 while our gross profit from the non-Conventional PPT business increased US\$1.5 million or 17.6% from US\$8.6 million in 2015 to US\$10.1 million in 2016. Our gross profit margin increased from 77.8% in 2015 to 79.1% in 2016 due to the increase in the proportion of gross profit derived from the non-Conventional PPT business which had a higher gross profit margin than the Conventional PPT business. Our gross profit margin for our Conventional PPT business was 66.0 % in 2015 and 64.7% in 2016 whereas our gross profit margin was 87.1% for 2015 and 85.2% for 2016 for our non-Conventional PPT Business. The slight decrease in our gross profit margin for our non-Conventional PPT Business was primarily due to the increase in hosting and storage costs as a percentage of the revenue in 2016.

### ***Selling and marketing expenses***

Our selling and marketing expenses decreased by US\$0.5 million or 9.3% from US\$5.6 million in 2015 to US\$5.1 million in 2016 due to a slight decrease in the average headcount of our sales and marketing staff.

### ***Administrative expenses***

Our administrative expenses increased by US\$0.8 million or 36.5% from US\$2.1 million in 2015 to US\$2.9 million in 2016 due to incurrence of [REDACTED] expenses of US\$[REDACTED] million. The effect of incurrence of [REDACTED] expenses were partially offset by a decrease in legal and professional fees of US\$0.2 million or 50.8% from US\$0.4 million in 2015 to US\$0.2 million in 2016 as we did not incur legal expense to acquire a business in 2016 as we did in 2015.

### ***Research and development expenses***

Our research and development expenses remained relatively stable at US\$1.4 million and US\$1.3 million in 2015 and 2016, respectively.

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## FINANCIAL INFORMATION

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### ***Income tax expense***

Our tax expense decreased from US\$1.6 million in 2015 to US\$1.1 million in 2016 and our effective tax rate decreased from 38.3% in 2015 to 28.6% in 2016. In 2016, the composite tax rate increased slightly from 38.5% in 2015 to 38.9% due to a proportionate decrease in our gross revenue generated in Oregon. This increase in composite tax rate led to an increase in deferred tax assets by US\$0.1 million, which was recorded as a decrease of tax expense of US\$0.1 million in 2016. In 2015, the decrease in composite tax rate led to a decrease in deferred tax assets by US\$0.2 million, which was recorded as an increase of tax expense of US\$0.2 million in 2015.

### ***Profit for the year and net profit margin***

As a result of the foregoing, our net profit for the year increased by US\$0.2 million or 8.0% from US\$2.6 million in 2015 to US\$2.8 million in 2016. Our net profit margin increased from 14.9% in 2015 to 16.9% in 2016.

## **Year ended December 31, 2015 Compared with Year ended December 31, 2014**

### ***Revenue***

Our revenue increased by US\$7.5 million or 73.3% from US\$10.1 million in 2014 to US\$17.6 million in 2015.

Revenue derived from the subscription-based SaaS business decreased by US\$0.4 million or 4.6% from US\$10.1 million in 2014 to US\$9.7 million in 2015 primarily due to a slight decrease in revenue from certain of major customers.

Revenue derived from the transaction-based SaaS business increased from US\$0.01 million in 2014 to US\$7.9 million in 2015 primarily due to the acquisition of the Conventional PPT business which generated revenue in the amount of US\$7.8 million in 2015.

### ***Cost of services provided***

Our cost of services provided is mainly comprised of the hosting and storage expenses and delivery and operation costs which increased by US\$2.7 million or 237.0% from US\$1.2 million in 2014 to US\$3.9 million in 2015. The increase was almost entirely attributed to the acquisition of the Conventional PPT business in January 2015, which had a cost of services provided of US\$2.7 million in 2015 consisting mainly of delivery and operation costs.

Hosting and storage costs increased by US\$0.6 million or 81.1% from US\$0.8 million in 2014 to US\$1.4 million in 2015 due to an increase in the volume of video content that we processed during our content protection SaaS business operations which caused us to increase our content protection platform processing capability. This in turn resulted in increased hosting and storage costs paid to cloud infrastructure providers.

Delivery and operation costs increased from nil in 2014 to US\$1.9 million in 2015 due to the acquisition of the Conventional PPT business.

## FINANCIAL INFORMATION

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### ***Gross profit and gross profit margin***

Our gross profit increased US\$4.7 million or 52.1% from US\$9.0 million to US\$13.7 million from 2014 to 2015 mainly as a result of the acquisition of the Conventional PPT business which contributed a gross profit of US\$5.1 million. However, our gross profit margin decreased from 88.6% in 2014 to 77.8% in 2015 as the Conventional PPT business yielded a lower gross profit margin of 66.0% versus the 87.1% for the non-Conventional PPT business in 2015. Our gross profit margin for our non-Conventional PPT business decreased from 88.6% in 2014 to 87.1% in 2015 primarily due to the increase in hosting and storage costs as a percentage of the revenue.

### ***Selling and marketing costs***

Our selling and marketing costs increased by US\$2.3 million or 68.7% from US\$3.3 million in 2014 to US\$5.6 million in 2015 due to an increase in the average headcount of our sales and marketing staff that resulted from the acquisition of the Conventional PPT business.

### ***Administrative expenses***

Our administrative expenses increased by US\$0.3 million or 17.0% from US\$1.8 million in 2014 to US\$2.1 million in 2015 due to an increase in the average headcount of our administrative staff that resulted from the acquisition of the Conventional PPT business.

### ***Research and development expenses***

Our research and development expenses increased by US\$0.4 million or 40.4% from US\$1.0 million in 2014 to US\$1.4 million in 2015 due to an increase in the average headcount of our research and development staff who joined us as a result of the Conventional PPT platform but transitioned to working primarily on our Online PPT platforms.

### ***Income tax expense***

Our tax expense increased from US\$0.9 million in 2014 to US\$1.6 million in 2015 and our effective tax rate increased from 33.5% in 2014 to 38.3% in 2015. The increase in income tax expense was primarily due to the increase in profit before tax from US\$2.7 million in 2014 to US\$4.3 million in 2015. Also, in 2015, we acquired the Conventional PPT business located in Oregon, which is subject to a lower state income tax rate than California, where we earn our non-Conventional PPT revenue. As a result, the composite tax rate decreased for our US operations from 39.8% in 2014 to 38.5% in 2015. Accordingly, the deferred tax assets incurred a one-off reduction of US\$0.2 million and the amount was recorded as an increase in income tax expense and resulted in the increase in effective tax rate.

### ***Profit for the year and net profit margin***

As a result of the above, our profit for the year increased by US\$0.8 million or 44.9% from US\$1.8 million in 2014 to US\$2.6 million in 2015 and our net profit margin decreased from 17.9% in 2014 to 14.9% in 2015.

## FINANCIAL INFORMATION

### LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we generated enough cash flow from our operations to meet our working capital and other capital requirements. In the future, we believe that our liquidity and capital expenditure requirements will be satisfied by using a combination of cash flow generated from our operating activities, other funds raised from the capital markets from time to time and the [REDACTED] from this [REDACTED].

The following table sets forth our cash flows for the periods indicated:

	Year ended December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Net cash flows from operating activities . . .	3,814	5,584	2,754
Net cash flows used in investing activities . . . . .	(444)	(4,542)	(32)
Net cash flows (used in)/from financing activities . . . . .	(1,602)	802	374
Net increase in cash and cash equivalents . . . . .	1,768	1,844	3,096
Cash and cash equivalents at beginning of year . . . . .	438	2,220	4,050
Effect of foreign exchange rate changes, net . . . . .	14	(14)	(7)
Cash and cash equivalents at end of year . . .	2,220	4,050	7,139

#### Net cash from operating activities

Our primary source of cash from operating activities consists of proceeds we receive from the provision of SaaS platforms and services. Our primary uses of cash in operating activities are salaries and benefits, hosting and storage costs, delivery and warehouse costs, traveling expenses and other office expenses.

In 2016, net cash from operating activities was US\$2.8 million, which consisted primarily of our profit before tax of US\$4.0 million and the movement in working capital. Changes in working capital primarily included decreases in trade payables of US\$1.4 million.

In 2015, net cash from operating activities was US\$5.6 million, which consisted primarily of our profit before tax of US\$4.3 million and the movement in working capital of US\$1.1 million. Changes in working capital primarily included decreases in trade receivables of US\$0.2 million, an increase in trade payables of US\$0.6 million, an increase in accruals, deferred income and payroll and welfare accruals of US\$1.5 million and a decrease in prepayments, deposits and other receivables of US\$1.1 million.

## FINANCIAL INFORMATION

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In 2014, net cash from operating activities was US\$3.8 million, which primarily consisted of our profit before tax of US\$2.7 million and the movement in working capital of US\$0.7 million. Changes in working capital primarily included an increase in other payables of US\$0.4 million.

### **Net cash flows used in investing activities**

Our investing activities primarily consist of purchases of property, equipment such as computers, leasehold improvements and furniture and fixtures, as well as consideration paid for the acquisition of the Conventional PPT business.

In 2016, net cash flows used in investing activities were US\$32,000 for purchasing computers.

In 2015, net cash flows used in investing activities of US\$4.5 million consisted of US\$4 million of consideration paid for the acquisition of the Conventional PPT business and US\$0.5 million for the purchase of property, plant and equipment.

In 2014, net cash flows used in investing activities were US\$0.4 million for the purchase of leasehold improvements in the amount of US\$0.2 million and furniture and fixtures in the amount of US\$0.2 million.

### **Net cash flows from/used in financing activities**

The net cash flows from/used in our financing activities primarily consists of payment to or receipts from VideoMobile.

In 2016, net cash flows from financing activities consisted of US\$0.4 million consists primarily of receipts from VideoMobile of US\$0.4 million.

In 2015, net cash flows from financing activities were US\$0.8 million consists primarily of receipts from VideoMobile of US\$0.7 million.

In 2014, net cash flows used in financing activities were US\$1.6 million consists primarily of payments to VideoMobile of US\$1.6 million.



## FINANCIAL INFORMATION

### DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at April 30
	2014	2015	2016	2017
	US\$'000	US\$'000	US\$'000	US\$'000 (UNAUDITED)
<b>CURRENT ASSETS</b>				
Trade receivables . . . . .	1,414	4,960	4,071	3,335
Prepayments, deposits and other receivables . . . . .	294	1,907	1,706	2,192
Cash and cash equivalents . . . . .	2,220	4,050	7,139	7,949
<b>Total current assets . . . . .</b>	<b>3,928</b>	<b>10,917</b>	<b>12,916</b>	<b>13,476</b>
<b>CURRENT LIABILITIES</b>				
Trade payables . . . . .	171	2,944	1,523	713
Other payables and accruals . . . . .	1,103	2,504	1,700	1,674
Due to the Then Ultimate Holding Company . . . . .	19,049	19,760	–	–
Finance lease payables . . . . .	38	2	1	–
Tax payable . . . . .	1	99	97	2
<b>Total current liabilities . . . . .</b>	<b>20,362</b>	<b>25,309</b>	<b>3,321</b>	<b>2,389</b>
<b>NET CURRENT ASSETS/(LIABILITIES) . . . . .</b>	<b>(16,434)</b>	<b>(14,392)</b>	<b>9,595</b>	<b>11,087</b>

As of December 31, 2014 and December 31, 2015, we had net current liabilities of US\$16.4 million and US\$14.4 million, respectively, consisting primarily of the amount due to VideoMobile of US\$19.0 million and US\$19.8 million as of December 31, 2014 and December 31, 2015, respectively. The amount due from our Group as part of the Reorganization was fully settled in December 31, 2016.

As of December 31, 2016, we had net current assets of US\$9.6 million, representing a US\$24.0 million increase from net current liabilities of US\$14.4 million. This increase is mainly due to the assignment of the amount due from our Group of US\$20.1 million from VideoMobile to our Company, the balance was capitalized as other reserves as a result. This increase is also due to the net cash flows from operating activities of US\$2.8 million in 2016.

As of December 31, 2015, we had net current liabilities of US\$14.4 million, representing a US\$2.0 million decrease from our net current liabilities of US\$16.4 million as of December 31, 2014. This decrease was mainly due to the net cash flows from operating activities operations of US\$5.6 million, offset by the US\$4 million of consideration paid for acquiring the Conventional PPT business.

Based on our unaudited consolidated financial statements as at April 30, 2017, our net current assets increased from US\$9.6 million as at December 31, 2016 to US\$11.1 million as at April 30, 2017.

## FINANCIAL INFORMATION

### Trade receivables

Our trade receivables consist of (i) trade receivables recorded in connection with revenue recognized and (ii) the amount due from video stores for the Conventional PPT business and from online video sites for the Online PPT business which we need to pay our content owner customers. The following table set forth our trade receivables as of the dates indicated.

	December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Subscription-based SaaS business . . . . .	1,414	1,329	1,130
Transaction-based SaaS business . . . . .	–	3,631	2,941
Total trade receivables . . . . .	1,414	4,960	4,071

Our trade receivables increased from US\$1.4 million as at December 31, 2014 to US\$5.0 million as at December 31, 2015 due to the acquisition of the Conventional PPT business. Our trade receivables decreased to US\$4.1 million as at December 31, 2016 due largely to the decrease in revenue from the Conventional PPT business in 2016, partially offset by an increase in trade receivables of US\$2.2 million that arose during the fourth quarter from new customers of the AVOD PPT business.

Our trade receivables are normally settled on with a credit term of 10 to 60 days after invoice. We seek to maintain strict control over our outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned, there is no significant concentration of credit risk. We do not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Our policy for impairment on trade receivables is based on an evaluation of collectability and aging analysis of the receivables that requires the use of judgment and estimates of our management. Provisions would apply to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. Our management closely reviews the trade receivables balances and any overdue balances on an ongoing basis, and assesses the collectability of overdue balances. After fully considering the nature of trade receivables and their collectability on a case-by-case basis, we make provisions for the impairment of certain long overdue trade receivables in order to ensure the quality of our assets. As of December 31, 2014, 2015 and 2016, respectively, provisions for individually impaired trade receivables of US\$9,000, US\$49,000 and US\$40,000 were recorded.

The following table sets a summary of average turnover days of trade receivables as of the dates indicated:

	December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Average turnover days of total trade receivables <sup>(1)</sup> . . . . .	54	66	98
Average turnover days of trade receivables of subscription-based SaaS business <sup>(2)</sup> . .	54	52	43

*Notes:*

- (1) Average turnover days of trade receivables for each of the years ended December 31, 2014, 2015 and 2016 are derived by dividing the arithmetic mean of the opening and closing balances of trade receivables for the relevant period by revenue and multiplying by 365 days.

## FINANCIAL INFORMATION

- (2) Average turnover days of trade receivables of the subscription-based SaaS business for each of the years ended December 31, 2014, 2015 and 2016 are derived by dividing the arithmetic mean of the opening and closing balances of trade receivables of the subscription-based SaaS business for the relevant period by revenue of the subscription-based SaaS business and multiplying by 365 days.

### *Average turnover days of trade receivables*

Our average turnover days of total trade receivables increased from 54 days in 2014 to 66 days in 2015 and to 98 days in 2016. The changes in 2015 and 2016 resulted in part from our acquisition of the Conventional PPT business. Trade receivables also include a portion of the amounts due from video stores which we need to pay to content owners. In addition, the opening balance of trade receivables for 2015 did not include the amount of trade receivables we acquired as part of our acquisition of Conventional PPT business.

The average turnover days of trade receivables of subscription-based SaaS business remained stable at 54 days and 52 days in 2014 and 2015, respectively. The decrease in trade receivables turnover days from 52 days in 2015 to 43 days in 2016 was primarily due to a decrease in purchases from our largest VideoTracker customer close to year end of 2016. Trade receivables from our largest customer decreased from US\$0.5 million to US\$0.1 million as the customer reduced its subscription of our VideoTracker services that led to a decrease in monthly subscription fees by approximately 58.2% since November 2016.

### **Prepayment, deposits and other receivables**

The following table sets forth a breakdown of our prepayments, deposits and other receivables as at December 31, 2014, 2015 and 2016.

	December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Prepayments .....	234	890	1,402
Prepaid [REDACTED] expenses .....	—	—	[REDACTED]
Deposits and other receivables .....	60	1,017	374
Total .....	294	1,907	2,101

Our prepayments consisted mainly of prepaid operating expenses and advances to customers. The increase in our prepayments from US\$0.2 million as at December 31, 2014 to US\$0.9 million as at December 31, 2015 was mainly due to the prepaid hosting and storage costs and advances to customers in 2015. Prepayments further increased from US\$0.9 million as at December 31, 2015 to US\$1.4 million as the advances to customers further increased from US\$0.3 million in 2015 to US\$1.2 million in 2016. Prepayments increased as we paid our content owner customers before we received the payment from a large video store chain, which went out of business in the summer of 2016. Through our bad debt allowance arrangement with certain of our content owners, we are allowed to retain a certain amount of the payments we would otherwise make to them in connection with the consumption of their content. We expect to be able to fully utilize the amount we prepaid in this instance by applying such bad debt allowance in a range between one to four years.

Our deposits and other receivables as at December 31, 2015 primarily consisted of proceeds received by Rentrak on our behalf of US\$1.0 million during 2015 which were offset against the payables to Rentrak in 2016.

## FINANCIAL INFORMATION

### Trade payables

Our trade payables are mainly comprised of (i) trade payables due to our suppliers which are normally settled on 30-day terms and (ii) the amount due to our content owner customers which we need to collect from video stores for Conventional PPT business and from online video sites for Online PPT business. Trade payables increased from US\$0.2 million as at December 31, 2014 to US\$2.9 million as at December 31, 2015 due to acquisition of the Conventional PPT business in January 2015. Trade payable balance decreased to US\$1.5 million as at December 31, 2016 upon settlement of a majority of the balances.

Our trade payables are normally settled on a 30 to 90 day term and primarily consist of accrued hosting and storage costs for the subscription-based SaaS business and accrued delivery and storage expenses for the transaction-based SaaS business. The following table set forth our trade payables as of the dates indicated.

	December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Subscription-based SaaS business . . . . .	171	403	270
Transaction-based SaaS business . . . . .	–	2,541	1,253
Total trade payables . . . . .	171	2,944	1,523

The following table sets forth the aging analysis of our trade payables as at the dates indicate.

	For the years ended December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Average turnover days of trade payables <sup>(1)</sup> . . . . .	38	145	232
Average turnover days of trade payables of subscription-based SaaS business <sup>(2)</sup> . . . . .	38	84	78

#### Notes:

- (1) Average turnover days of trade payables for each of the years ended December 31, 2014, 2015 and 2016 are derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the relevant period by cost of services provided and multiplying by 365 days.
- (2) Average turnover days of trade payables of the subscription-based SaaS business for each of the years ended December 31, 2014, 2015 and 2016 are derived by dividing the arithmetic mean of the opening and closing balances of trade payables of the subscription-based SaaS business for the relevant period by cost of services provided of the subscription-based SaaS business and multiplying by 365 days.

### Average turnover days of trade payables

Our trade payables average turnover days increased from 38 days in 2014 to 145 days in 2015 and to 232 days in 2016 as we acquired the Conventional PPT business in 2015 in which trade payables also include the amount due to our content owner customers which we need to collect from video stores for the Conventional PPT business and from online video sites for the Online PPT business.

## FINANCIAL INFORMATION

The average turnover days of trade payables for the subscription-based SaaS business increased from 38 days in 2014 to 84 days in 2015 and 78 days in 2016 as we were negotiating terms with one of our major suppliers and the related payments were delayed, which resulted in a high ending trade payables balance as at December 31, 2015.

### Other payables and accruals

Other payables and accruals are mainly comprised of accrued salaries and benefits and accrued transaction service fees. Other payables and accruals increased from US\$1.1 million as of December 31, 2014 to US\$2.5 million as of December 31, 2015 primarily due to the expenses paid in connection with our acquisition of the Conventional PPT business of US\$1.0 million, which were offset against the receivables in connection with our acquisition of the Conventional PPT business in 2016.

### Goodwill

Goodwill from the acquisition of the Conventional PPT business amounted to US\$6.8 million as at December 31, 2015 and December 31, 2016. This acquisition was made in connection with the development of our transaction based SaaS business. Therefore, the goodwill is allocated to the related cash-generating unit, transaction based SaaS business. The carrying amount of goodwill is tested annually for impairment at December 31. The recoverable amount of goodwill was based on a value in use calculation using cash flow projections based on financial budgets of the transaction-based SaaS business approved by senior management covering a period of 5 years. The discount rate applied to the cash flow projections was 14% as at December 31, 2015 and 2016.

Based on the results of the impairment testing of goodwill, in the opinion of our Directors, no impairment provision is considered necessary for our goodwill as at December 31, 2015 and 2016. For more details of the valuation technique and key assumptions, see the section headed "Accountants' Report – II. Notes to Financial Information – Note 15" in Appendix I in this [REDACTED].

### WORKING CAPITAL

Our Directors are of the view that, taking into consideration the financial resources presently available to us, including our cash to be generated from operations and the estimated net [REDACTED] from the [REDACTED], we have sufficient working capital for our present requirements and for at least next 12 months from the date of this [REDACTED].

### CAPITAL EXPENDITURE

We have historically funded our capital expenditures with our Group's internal resources. Up to the Latest Practicable Date, we did not have any material capital expenditures. The following table sets forth our capital expenditures for the Track Record Period:

	Year ended December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Computers . . . . .	64	542	32
Leasehold improvements . . . . .	220	–	–
Furniture and fixtures . . . . .	160	10	–
Total . . . . .	444	552	32

## FINANCIAL INFORMATION

### OPERATING LEASE ARRANGEMENTS

We lease certain office properties under operating lease arrangements during the Track Record Period. Leases for office premises are negotiated for terms ranging from 3 to 6 years.

The following table sets forth our future minimum operating lease commitments under non-cancellable operating leases as at the dates indicated:

	December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Within one year . . . . .	384	525	519
In the second to fifth years, inclusive . . . . .	1,066	1,383	1,025
After five years . . . . .	262	—	—
	<u>1,712</u>	<u>1,908</u>	<u>1,544</u>

### INDEBTEDNESS, CONTINGENT LIABILITIES AND OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We had no indebtedness for borrowed money during the Track Record Period.

As of the Latest Practicable Date, we did not have any other material contingent liabilities or guarantees, (i) any liabilities under acceptance trade receivables or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantee material covenants, or other material contingent liabilities, or (ii) any material off-balance sheet arrangements.

### RELATED PARTY TRANSACTIONS

Except for the amount due to VideoMobile of US\$19.0 million and US\$19.8 million as of December 31, 2014 and 2015, respectively, we did not have any material related party transactions during the Track Record Period.

For more details about our related party balances, see Note 19 to the Accountants' Report included in Appendix I in this [REDACTED].

## FINANCIAL INFORMATION

### KEY FINANCIAL RATIOS

	Year ended December 31,		
	2014	2015	2016
Gross profit margin (%) <sup>(1)</sup>	88.6	77.8	79.1
Net profit margin (%) <sup>(2)</sup>	17.9	14.9	16.9
Return on equity (%) <sup>(3)</sup>	N/A	N/A	13.0
Return on total assets (%) <sup>(4)</sup>	16.0	10.9	11.3
	As at December 31,		
	2014	2015	2016
Current ratios <sup>(5)</sup>	0.2	0.4	3.9
Gearing ratio <sup>(6)</sup>	N/A	N/A	N/A
Net debt to equity ratio <sup>(7)</sup>	N/A	N/A	N/A

*Notes:*

- (1) Gross profit margin for each of the years ended December 31, 2014, 2015 and 2016 was calculated on gross profit divided by revenue for the respective years. See the paragraph headed “Period to Period Comparison of Results of Operations”.
- (2) Net profit margin for each of the years ended December 31, 2014, 2015 and 2016 was calculated on net profit for the year divided by revenue for the respective years. See the paragraph headed “Period to Period Comparison of Results of Operations”.
- (3) Return on equity for each of the years ended December 31, 2014, 2015 and 2016 was calculated on net profit of the respective years divided by the total equity at the end of the respective years and multiplied by 100%.
- (4) Return on total assets for each of the years ended December 31, 2014, 2015 and 2016 was calculated on net profit of the respective years divided by the total assets at the end of the respective years and multiplied by 100%.
- (5) Current ratios as at December 31, 2014, 2015 and 2016 were calculated based on the total current assets divided by the total current liabilities as at the end of the respective years.
- (6) Gearing ratios as at December 31, 2014, 2015 and 2016 were calculated based on the total interest-bearing borrowings divided by the total equity as at the end of the respective years and multiplied by 100%.
- (7) Net debt to equity ratios as at December 31, 2014, 2015 and 2016 were calculated based on net debts (being total interest-bearing borrowings net of cash and cash equivalents) divided by total equity as at the end of the respective years and multiplied by 100%.

See “Period-to-Period Comparison of Results of Operations – Year Ended December 31, 2016 Compared to Year Ended December 31, 2015” and “Period-to-Period Comparison of Results of Operations – Year Ended December 31, 2015 Compared to Year Ended December 31, 2014” for a discussion of the factors affecting our revenue growth, gross margin and net profit margin during the respective periods.

### Return on equity

We had net deficiency in assets of US\$9.0 million and US\$1.2 million as of December 31, 2014 and 2015, respectively, and therefore return on equity was not applicable for our Group during the years ended December 31, 2014 and 2015. Our return on equity was approximately 13.0% for the year ended December 31, 2016.



## FINANCIAL INFORMATION

### Return on total assets

Our return on total assets was approximately 16.0%, 10.9% and 11.3% for the years ended December 31, 2014, 2015 and 2016, respectively. Return on total assets decreased for the year ended December 31, 2015 as our Group acquired the Conventional PPT business which significantly increased the total assets of our Group without providing a proportionate increase in profit. Return on total assets remained stable at 11.3% for the year ended December 31, 2016.

### Current ratio

We had a low current ratio as of December 31, 2014 and 2015 due to the amount due to the then ultimate holding company of US\$19.0 million and US\$19.8 million. Our current ratio increased from 0.4 as of December 31, 2015 to 3.9 as of December 31, 2016 was due to the assignment of the amount due from our Group of US\$20.1 million from VideoMobile to our Company during the year ended December 31, 2016 and the related balance was capitalized as other reserves as a result.

### Gearing ratio and net debt to equity ratio

During the Track Record Period, we did not have any bank borrowings. Thus, gearing ratio and net debt to equity ratio were both not applicable to our Group.

## DESCRIPTION OF SELECTED STATEMENT OF PROFIT OR LOSS LINE ITEMS OF THE CONVENTIONAL PPT BUSINESS

The following is a discussion of the Conventional PPT business' results of operations for (i) the year ended December 31, 2014; and (ii) the period from January 1, 2015 to January 31, 2015, the date of the acquisition of the Conventional PPT Business. Because both periods are of different length, the Conventional PPT Business's results of operations for these two periods are not directly comparable. Accordingly, prospective investors are cautioned not to infer any comparison among the results for these two periods, or to place undue reliance on the following discussion.

	Year ended December 31, 2014	From January 1 to January 31, 2015
	US\$'000	US\$'000
<b>REVENUE</b> .....	9,579	878
Cost of services provided .....	(2,853)	(235)
Gross profit .....	6,726	643
Administrative expenses .....	(6,670)	(518)
Other expenses .....	(37)	—
<b>PROFIT BEFORE TAX</b> .....	19	125
Income tax expense .....	(8)	(50)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD</b> .....	11	75

## FINANCIAL INFORMATION

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### Discussion on Certain Key Statement of Comprehensive Income Items

#### *Revenue*

The Conventional PPT business recorded revenue of US\$9.6 million for the year ended December 31, 2014 and US\$0.9 million for the period from January 1, 2015 to January 31, 2015.

#### *Cost of services provided*

The Conventional PPT business' cost of services provided primarily consisted of delivery and operation costs, hosting and storage costs and warehouse costs. The Conventional PPT business' cost of services provided amounted to US\$2.9 million for the year ended December 31, 2014 and US\$0.2 million for the period from January 1, 2015 to January 31, 2015.

#### *Gross profit and gross profit margin*

The Conventional PPT business' gross profit was US\$6.7 million for the year ended December 31, 2014 and US\$0.6 million for the period from January 1, 2015 to January 31, 2015. The gross profit margin was 70.2% for the year ended December 31, 2014 and 73.2% for the period from January 1, 2015 to January 31, 2015.

#### *Administrative expenses*

The Conventional PPT business' administrative expenses were US\$6.7 million for US\$0.5 million for the year ended December 31, 2014 and the period from January 1, 2015 to January 31, 2015, representing 69.6%, and 59.0% of the Conventional PPT business' revenue, respectively.

#### *Income tax expenses*

The statutory income tax rate in the US for the Conventional PPT business was 38.36%. The effective tax rate of Conventional PPT business was 42.1% for the year ended December 31, 2014 and 40% for the period from January 1, 2015 to January 31, 2015.

## FINANCIAL INFORMATION

### DESCRIPTION OF CERTAIN ITEMS OF STATEMENT OF FINANCIAL POSITION OF THE CONVENTIONAL PPT BUSINESS

The following is a discussion of selected items of the statement of financial position of the Conventional PPT businesses as of December 31, 2014 and January 31, 2015.

	31 December	31 January
	2014	2015
	US\$'000	US\$'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment .....	8	5
Other intangible assets .....	112	107
<b>Total non-current assets</b> .....	120	112
<b>CURRENT ASSETS</b>		
Trade receivables .....	2,938	3,768
Prepayments, deposits and other receivables ...	461	528
Due from related parties .....	2,507	97
<b>Total current assets</b> .....	5,906	4,393
<b>CURRENT LIABILITIES</b>		
Trade payables .....	2,886	2,206
Other payables and accruals .....	567	51
Due to related parties .....	895	495
<b>Total current liabilities</b> .....	4,348	2,752
<b>NET CURRENT ASSETS</b> .....	1,558	1,641
<b>TOTAL ASSETS LESS</b>		
<b>CURRENT LIABILITIES</b> .....	1,678	1,753
<b>Net assets</b> .....	1,678	1,753

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in the market, including the following:

#### Credit Risk

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

Since we trade only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer and by geographical region. At the end of year 2016, we had certain concentration of credit risk as 3% and 14% of our trade receivables were due from our largest customer and the five largest customers, respectively. Further quantitative data in respect of our exposure to credit risk arising from trade receivables are disclosed in note 34 of section II to the Accountants' Report in Appendix I to the [REDACTED].

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## FINANCIAL INFORMATION

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### Liquidity Risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and project cash flows from operations. Further quantitative data in respect of our exposure in liquidity risk are disclosed in note 34 of section II to the Accountants' Report in Appendix I to the [REDACTED].

### DISCLOSURE REQUIRED UNDER THE [REDACTED]

Our Directors confirm that at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rule 13.13 to 13.19 of the [REDACTED].

### [REDACTED] EXPENSES

We expect to incur a total of approximately US\$[REDACTED] of [REDACTED] expenses (or approximately US\$[REDACTED] after excluding [REDACTED] commission of approximately US\$[REDACTED]) (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range between HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED], and assuming that the [REDACTED] is not exercised) until the completion of the [REDACTED], of which approximately US\$[REDACTED] is charged to our consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2016, approximately US\$[REDACTED] is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending December 31, 2017, and approximately US\$[REDACTED] will be capitalized. [REDACTED] expenses represent professional fees and other fees incurred in connection with the [REDACTED], including [REDACTED] commissions. The [REDACTED] expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

### DIVIDEND POLICY

During the Track Record Period, and since inception, no cash dividend has been paid or declared by our Group. Any declaration, payment and amount of any future dividends is subject to the discretion of our Board mainly depending on our Group's results of operation, working capital and cash position, future business and earnings, capital requirements and contractual restrictions. In addition our Shareholders may approve the payment of dividends, but only up to amounts recommended by the Board.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to reinvested in our operations.

### DISTRIBUTABLE RESERVES

Our Company was incorporated on July 28, 2016 and is an investment holding company. The Cayman Islands law provides that either profit, share premium account or other reserves of a company incorporated in the Cayman Islands, such as our Company, may be applied in such manner as it may from time to time determine, subject to the provisions, if any, of its memorandum and articles of association, provided that no

## **FINANCIAL INFORMATION**

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distribution or dividend may be paid to its members out of the profit, share premium account or other reserve if immediately following the date on which the distribution or dividend is proposed to be paid this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Our reserve available for distribution as dividend comprises other reserve. As at December 31, 2016, the other reserve of our Company was US\$20.1 million.

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is the unaudited pro forma adjusted consolidated net tangible assets of our Group prepared in accordance with paragraph 4.29 of the [REDACTED] and on the basis of the notes set out below for the purpose of illustrating the effect of the [REDACTED] on the consolidated net tangible assets of our Group attributable to owners of our Company as if the [REDACTED] had taken place on December 31, 2016. This unaudited consolidated pro forma adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group had the [REDACTED] been completed as at December 31, 2016 or any future dates:

	Consolidated net Tangible assets attributable to owners of our Company as at December 31, 2016	Estimated net [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	US\$'000 (Note 1)	US\$'000 (Note 2)	US\$'000	US\$ (Note 3)	HK\$
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] . . .	14,923	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] . . . .	14,923	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

*Notes:*

- (1) The consolidated net tangible assets attributable to the owners of our Company as at December 31, 2016 is arrived at after deducting goodwill of US\$6,839,000 from the audited consolidated net assets of US\$21,762,000 attributable to the owners of our Company as at December 31, 2016, as shown in the Accountants' Report, the text of which is set out in Appendix I to this [REDACTED].
- (2) The estimated net [REDACTED] from the [REDACTED] are based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the minimum [REDACTED]) and HK\$[REDACTED] per [REDACTED] (being the maximum [REDACTED]), after deduction of the estimated [REDACTED] fees and other [REDACTED] expenses payable by our Company and takes no account of any Shares which may be issued upon the exercise of the [REDACTED].
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments described in note (2) above and on the basis that [REDACTED] Shares are in issue, assuming that the [REDACTED] had been completed on December 31, 2016 but takes no account of any Shares which may be issued upon the exercise of the [REDACTED].
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of [US\$1=HK\$7.7929], which is set forth on page [52] of this [REDACTED]. No representation is made that the US dollar amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at the rate or at any other rates at all.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to December 31, 2016.

### NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that from December 31, 2016 up to the date of this [REDACTED], there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our Group's consolidated financial statement Accountants' Report in Appendix I to this [REDACTED].

## FUTURE PLANS AND [REDACTED]

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### FUTURE PLANS AND [REDACTED]

The net [REDACTED] from the [REDACTED], after deducting [REDACTED] fees and estimated expenses payable by us, are estimated to be approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]), assuming that the [REDACTED] is not exercised and assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the proposed [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]. We intend to use the net [REDACTED] as follows:

- Approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]), representing [REDACTED]% of our total estimated net [REDACTED]) is expected to be used for implementing our sales and marketing initiatives to expand our global customer base, upsell our existing customers to increase their service level, and cross-sell our customers with new products and services. We plan to increase our marketing activities to promote our brands, including but not limited to, offline events sponsorship, online marketing campaigns, product launch events and customer summits and conferences, in both US and international markets. We also plan to hire additional sales and marketing personnel to achieve this purpose.
- Approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]), representing [REDACTED]% of our total estimated net [REDACTED]) is expected to be used for upgrading and enhancing our computing infrastructure and facility, including enhancing our information technology systems for administrative and operational purpose, leasing additional office spaces, purchasing office equipment and more computer servers, virtual servers and increasing bandwidth capacity for production system to support our global customer expansion.
- Approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]), representing [REDACTED]% of our total estimated net [REDACTED]) is expected to be used for making potential strategic investments and acquisitions. We plan to continue to invest in or acquire businesses or assets that are complementary to our business so that we can further strengthen our global market leadership in content protection and increase the customer base of our online PPT platforms. We will explore opportunities of strategic alliance with other complementary video software technology platforms to offer more comprehensive solutions to help protect, measure, and monetize the content for our content owner customers for online video distribution, and we intend to pursue acquisitions to enhance our platform capability and geographic customer base for our content protection, measurement, and monetization products and services.
- Approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]), representing [REDACTED]% of our total estimated net [REDACTED]) is expected to be used for expanding our existing offices in Silicon Valley, Portland, Los Angeles, Japan and Hong Kong. We also intend to expand geographically to China, Europe, and other regions in the world where there is demand for content protection, measurement or monetization products. We intend to use the [REDACTED] to set up local offices and build local support team to increase our responsiveness to those markets.



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## FUTURE PLANS AND [REDACTED]

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- Approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED], representing [REDACTED]% of our total estimated net [REDACTED]) is expected to be used for expanding our research and development capabilities, including hiring research and development personnel and technical staff and acquiring technology and intellectual property. We intend to continue to strengthen our content protection platform capabilities including upgrading our content discovery and identification engines and improve our software to increase the efficiency and broaden the coverage of new global online piracy networks. We also intend to continue to invest in our content measurement and monetization technology platforms and advanced technologies such as machine learning, computer vision and big data technologies.
- The remaining balance, or approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED], representing [REDACTED]% of the estimated net [REDACTED]) will be used for general working capital purposes.

If the [REDACTED] is set at the high-end or low end of the proposed [REDACTED] range, the net [REDACTED] of the [REDACTED] (assuming that the [REDACTED] is not exercised) will increase to HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]) or decrease to HK\$[REDACTED] (equivalent to approximately US\$[REDACTED] million), respectively. In this event, we will increase or decrease the allocation of the net [REDACTED] to the above purposes on a pro-rata basis.

If the [REDACTED] is exercised in full, the net [REDACTED] from the [REDACTED] will increase to approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]), assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the proposed [REDACTED] range. If the [REDACTED] is set at the high-end or low end of the proposed [REDACTED] range, the net [REDACTED] of the [REDACTED] (including the [REDACTED] from the exercise of the [REDACTED]) will increase to HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]) or decrease to HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]), respectively. We intend to apply the additional net [REDACTED] to the above uses in the proportions stated above.

To the extent that the net [REDACTED] of the [REDACTED] are not immediately applied to the above purposes, it is our present intention that such net [REDACTED] will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**

[REDACTED]

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[REDACTED]

***Undertakings to the Stock Exchange pursuant to the [REDACTED]***

***Undertakings by our Company***

Pursuant to Rule 10.08 of the [REDACTED], our Company [has undertaken] to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already [REDACTED]) may be issued by us or form the subject of any agreement to such issue within six months from the [REDACTED] (whether or not such issue of Shares or securities will be completed within six months from the [REDACTED]), except: (a) in certain circumstances prescribed by Rule 10.08 of the [REDACTED]; or (b) pursuant to the [REDACTED] and the [REDACTED] (including

**[REDACTED]**

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pursuant to the **[REDACTED]**) and the issue of any Shares pursuant to the exercise of any options that have been granted under the Pre-**[REDACTED]** Share Option Scheme and may be granted under the Post-**[REDACTED]** Share Option Scheme.

**[REDACTED]**



**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**

[REDACTED]

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[REDACTED]

### **Sponsor’s Independence**

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the [REDACTED].

[REDACTED]

**[REDACTED]**

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**[REDACTED]**

## **STRUCTURE OF THE [REDACTED]**

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**[REDACTED]**

## **STRUCTURE OF THE [REDACTED]**

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**[REDACTED]**

## **STRUCTURE OF THE [REDACTED]**

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**[REDACTED]**



## **STRUCTURE OF THE [REDACTED]**

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**[REDACTED]**

## **STRUCTURE OF THE [REDACTED]**

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**[REDACTED]**

## **STRUCTURE OF THE [REDACTED]**

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**[REDACTED]**

## **STRUCTURE OF THE [REDACTED]**

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**[REDACTED]**

## **STRUCTURE OF THE [REDACTED]**

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**[REDACTED]**

## **STRUCTURE OF THE [REDACTED]**

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**[REDACTED]**

## **STRUCTURE OF THE [REDACTED]**

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**[REDACTED]**



## **HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**

## **HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**

## **HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**

## **HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**

## **HOW TO APPLY FOR [REDACTED]**

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## **HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**

## **HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**

## **HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**



## **HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**

## **HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**

## **HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**

## **HOW TO APPLY FOR [REDACTED]**

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## **HOW TO APPLY FOR [REDACTED]**

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## **HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**

## **HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**

## **HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**



## **HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**

## **HOW TO APPLY FOR [REDACTED]**

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**[REDACTED]**

## APPENDIX I

## ACCOUNTANTS' REPORT

*The following is the text of a report, prepared for the purpose of incorporation in this [REDACTED], received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.*

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

[Date]

The Directors

Vobile Group Limited (formerly known as Vobile Limited)

CITIC CLSA Capital Markets Limited

Dear Sirs,

We report on the historical financial information of Vobile Group Limited (formerly known as Vobile Limited) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to [I-39], which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the years ended December 31, 2014, 2015 and 2016 (the "Track Record Period"), and the consolidated statements of financial position of the Group as at December 31, 2014, 2015 and 2016, the statement of financial position of the Company as at December 31, 2016, and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to [I-39] forms an integral part of this report, which has been prepared for inclusion in the [REDACTED] of the Company dated [REDACTED] (the "[REDACTED]") in connection with the [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

### DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The Directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and basis of preparation set out in notes 2.1 and 2.2 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

## APPENDIX I

## ACCOUNTANTS' REPORT

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 entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and basis of preparation set out in notes 2.1 and 2.2 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 entity's 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 Group as at December 31, 2014, 2015 and 2016, the financial position of the Company as at December 31, 2016 and of the financial performance and cash flows of the Group for the years ended December 31, 2014, 2015 and 2016 in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

### REPORT ON MATTERS UNDER [REDACTED] 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 I-3 have been made.

#### Dividends

We refer to note 11 of Section II to the Historical Financial Information which states that no dividends have been paid by the Company since its date of incorporation.

#### No Historical Financial Statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

*Certified Public Accountants*  
Hong Kong

## APPENDIX I

## ACCOUNTANTS' REPORT

### 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 Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in United States dollars ("US\$") which is the functional currency of the Company and the majority of its subsidiaries, and all values are rounded to the nearest thousand (US\$'000) except when otherwise indicated.

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,		
		2014	2015	2016
		US\$'000	US\$'000	US\$'000
<b>REVENUE</b> .....	5	10,144	17,576	16,794
Cost of services provided .....		(1,160)	(3,909)	(3,518)
Gross profit .....		8,984	13,667	13,276
Other income and gains .....	5	1	2	111
Selling and marketing expenses .....		(3,324)	(5,609)	(5,085)
Administrative expenses .....		(1,813)	(2,122)	(2,897)
Research and development expenses .....		(980)	(1,376)	(1,260)
Finance costs .....	7	(5)	(2)	–
Other expenses .....		(136)	(303)	(171)
<b>PROFIT BEFORE TAX</b> .....	6	2,727	4,257	3,974
Income tax expense .....	10	(914)	(1,630)	(1,136)
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b> .....		1,813	2,627	2,838
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>				
<b>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</b>				
Exchange differences on translation of foreign operations .....		14	(14)	(7)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX</b> .....		14	(14)	(7)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b> .....		1,827	2,613	2,831

## APPENDIX I

## ACCOUNTANTS' REPORT

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,		
	Notes	2014	2015	2016
		US\$'000	US\$'000	US\$'000
NON-CURRENT ASSETS				
Property, plant and equipment . . . . .	13	481	834	628
Other intangible assets . . . . .	14	—	50	—
Goodwill . . . . .	15	—	6,839	6,839
Deferred tax assets . . . . .	16	6,957	5,425	4,305
Prepayments . . . . .	18	—	—	395
Total non-current assets . . . . .		7,438	13,148	12,167
CURRENT ASSETS				
Trade receivables . . . . .	17	1,414	4,960	4,071
Prepayments, deposits and other receivables . . . . .	18	294	1,907	1,706
Cash and cash equivalents . . . . .	20	2,220	4,050	7,139
Total current assets . . . . .		3,928	10,917	12,916
CURRENT LIABILITIES				
Trade payables . . . . .	21	171	2,944	1,523
Other payables and accruals . . . . .	22	1,103	2,504	1,700
Due to the Then Ultimate Holding Company . . . . .	19	19,049	19,760	—
Finance lease payables . . . . .	23	38	2	1
Tax payable . . . . .		1	99	97
Total current liabilities . . . . .		20,362	25,309	3,321
NET CURRENT				
ASSETS/(LIABILITIES) . . . . .		(16,434)	(14,392)	9,595
TOTAL ASSETS LESS				
CURRENT LIABILITIES . . . . .		(8,996)	(1,244)	21,762
NON-CURRENT LIABILITIES				
Finance lease payables . . . . .	23	3	1	—
Total non-current liabilities . . . . .		3	1	—
Net assets/(liabilities) . . . . .		(8,999)	(1,245)	21,762
EQUITY				
Share capital . . . . .	25	—	—	8
Reserves . . . . .	26	(8,999)	(1,245)	21,754
Total equity/(deficiency in assets) . . .		(8,999)	(1,245)	21,762

## APPENDIX I

## ACCOUNTANTS' REPORT

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital	Merger reserve*	Other reserve*	Exchange fluctuation reserve*	Retained profits/ (accumulated losses)*	Total equity/ (deficiency in assets)
	US\$'000 (note 25)	US\$'000 (note 26)	US\$'000 (note 26)	US\$'000	US\$'000	US\$'000
At January 1, 2014 .....	–	247	266	37	(11,616)	(11,066)
Profit for the year .....	–	–	–	–	1,813	1,813
Other comprehensive income for the year:						
Exchange differences related to foreign operations .....	–	–	–	14	–	14
Total comprehensive income for the year .....	–	–	–	14	1,813	1,827
Capital contribution .....	–	–	240	–	–	240
As at December 31, 2014 and January 1, 2015 .....	–	247	506	51	(9,803)	(8,999)
Profit for the year .....	–	–	–	–	2,627	2,627
Other comprehensive loss for the year:						
Exchange differences related to foreign operations .....	–	–	–	(14)	–	(14)
Total comprehensive income for the year .....	–	–	–	(14)	2,627	2,613
Capital contribution from the then shareholders of a subsidiary .....	–	129	–	–	–	129
Capital contribution ** .....	–	–	5,012	–	–	5,012
As at December 31, 2015 and January 1, 2016 .....	–	376	5,518	37	(7,176)	(1,245)
Profit for the year .....	–	–	–	–	2,838	2,838
Other comprehensive loss for the year:						
Exchange differences related to foreign operations .....	–	–	–	(7)	–	(7)
Total comprehensive income for the year .....	–	–	–	(7)	2,838	2,831
Issue of shares .....	8	–	–	–	–	8
Capital contribution *** .....	–	–	20,168	–	–	20,168
At December 31, 2016 .....	8	376	25,686	30	(4,338)	21,762

\* These reserve accounts comprised the deficits of US\$8,999,000 and US\$1,245,000, and the reserves of US\$21,754,000 in the consolidated statements of financial position as at December 31, 2014, 2015 and 2016, respectively.

\*\* The capital contribution in 2015 mainly included US\$5,000,000 of consideration paid in the form of the Then Ultimate Holding Company's shares to acquire the Conventional Pay Per Transaction ("PPT") Business from Rentrak Corporation (note 27).

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

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## ACCOUNTANTS' REPORT

### CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31,		
		2014	2015	2016
		US\$'000	US\$'000	US\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		2,727	4,257	3,974
<b>Adjustments for:</b>				
Finance costs		5	2	–
Depreciation	13	169	204	238
Amortization of other intangible asset	14	–	57	50
Equity-settled share option expense	24	240	12	40
		3,141	4,532	4,302
Decrease in trade receivables		148	222	889
Increase in prepayments, deposits and other receivables		(232)	(1,085)	(194)
Increase/(decrease) in other payables		440	(195)	(129)
Increase/(decrease) in accruals, deferred income and payroll and welfare accruals		222	1,545	(675)
Increase/(decrease) in trade payables		103	567	(1,421)
Cash generated from operations		3,822	5,586	2,772
Interest paid		(5)	(2)	–
Hong Kong profits tax paid		(2)	–	(4)
Overseas taxes paid		(1)	–	(14)
Net cash flows from operating activities		3,814	5,584	2,754
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of items of property, plant and equipment		(444)	(552)	(32)
Acquisition of a business	27	–	(3,990)	–
Net cash flows used in investing activities		(444)	(4,542)	(32)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Capital contribution		–	–	8
Capital contribution from the then shareholders of a subsidiary		–	129	–
Capital element of finance lease rental payments		(33)	(38)	(2)
(Decrease)/increase of amounts due to the Then Ultimate Holding Company		(1,569)	711	368
Net cash flows (used in)/from financing activities		(1,602)	802	374
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		1,768	1,844	3,096
Cash and cash equivalents at beginning of year		438	2,220	4,050
Effect of foreign exchange rate changes, net		14	(14)	(7)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		2,220	4,050	7,139
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>				
Cash and bank balances		2,220	4,050	7,139



## APPENDIX I

## ACCOUNTANTS' REPORT

### STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	December 31, 2016 US\$'000
<b>NON-CURRENT ASSETS</b>		
Investment in subsidiaries . . . . .		—*
<b>CURRENT ASSETS</b>		
Due from subsidiaries . . . . .		15,636
Cash and cash equivalents . . . . .	20	4,500
<b>Total and net current assets</b> . . . . .		20,136
<b>Net assets</b> . . . . .		20,136
<b>EQUITY</b>		
Share capital . . . . .	25	8
Reserves . . . . .	26	20,128
<b>Total equity</b> . . . . .		20,136

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

## APPENDIX I

## ACCOUNTANTS’ REPORT

### II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 1. CORPORATE INFORMATION AND REORGANIZATION

Vobile Limited was incorporated as an exempted company with limited liability in the Cayman Islands on July 28, 2016 under the Companies Law, Chapter 22 of the Cayman Islands. The registered address of the office of the Company is located at P.O. Box 472, 2nd Floor, 103 South Church Street, Harbour Place, George Town, Grand Cayman KY1-1106, Cayman Islands. Pursuant to a special resolution passed on December 22, 2016, the name of the Company was changed from Vobile Limited to Vobile Group Limited (the “Company”).

The Company is an investment holding company. During the Track Record Period, the Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in providing Software as a Service (“SaaS”) (the “[REDACTED] Business”) in the United States, Japan and Hong Kong.

The Company and its subsidiaries now comprising the Group underwent the Reorganization as set out in the paragraph headed “[Our Reorganization]” in the section headed “[History, Reorganization and Corporate Structure]” in the [REDACTED]. The Company became the holding company of the subsidiaries now comprising the Group upon completion of the Reorganization on July 29, 2016.

On December 3, 2016, the Company entered into an intellectual property agreement with the Then Ultimate Holding Company to obtain the ownership of all intellectual properties of the Then Ultimate Holding Company and its four wholly-owned indirect subsidiaries in the People’s Republic of China at nil consideration. For further details of the agreement, please refer to the paragraph headed “Our Reorganization” in the section headed “History, Reorganization and Corporate Structure” in the [REDACTED].

Prior to the incorporation of the Company and the completion of the Reorganization, the [REDACTED] Business was 100% held by VideoMobile Co., Ltd. (formerly known as “Vobile Co., Ltd.”) (the “Then Ultimate Holding Company”), a Cayman Islands exempted company with limited liability formed on July 18, 2005, which the Directors consider as the Then Ultimate Holding Company. None of the shareholders of the Then Ultimate Holding Company had a controlling interest in the Then Ultimate Holding Company.

As at the date of this report, the Company has direct and indirect interests in its subsidiaries (the “Subsidiaries”), all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

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

#### Notes:

- (a) As at the date of this report, no audited financial statements of Vobile US, Vobile Japan, Vobile Canada, LRC and Vobile LLC have been prepared since the date of incorporation as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of incorporation.
- (b) The statutory financial statements of this entity for the period from December 18, 2014 (date of incorporation) to December 31, 2015 and [for the year ended December 31, 2016] prepared under Small and Medium-sized Entity Financial Reporting Standard (SME-FRS) issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Compliance Ordinance were audited by CCP C.P.A Limited, certified public accountants registered in Hong Kong.

#### 2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization as more fully explained in the paragraph headed “Our Reorganization” in the section headed “History, Reorganization and Corporate Structure” in the [REDACTED], the Company became the holding company of the companies now comprising the Group on July 29, 2016. The companies now comprising the Group were under the common control of the Then Ultimate Holding Company before and after the Reorganization. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared by applying the principles of merger accounting, as if the Reorganization had been completed at the beginning of the Track Record Period.

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The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Track Record Period include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the companies first came under the common control of the Then Ultimate Holding Company, where this is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2014, 2015 and 2016 have been prepared to present the assets and liabilities of the Group using the existing book values from the Then Ultimate Holding Company's perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

All intra-group transactions and balances have been eliminated on consolidation.

### 2.2 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, 2016, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period.

#### Basis of consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries now comprising the Group for the Track Record Period. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the beginning of the Track Record Period or the date on which a subsidiary was incorporated, whichever is the later, and continue to be consolidated until the date that such control ceases.

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

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

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

### 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 9	<i>Financial Instruments</i> <sup>2</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
IFRS 15	<i>Revenue from Contracts with Customers</i> <sup>2</sup>
IFRS 16	<i>Leases</i> <sup>3</sup>
IFRS 17	<i>Insurance Contracts</i> <sup>4</sup>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i> <sup>2</sup>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i> <sup>3</sup>
Amendments to IAS 7	<i>Disclosure Initiative</i> <sup>1</sup>
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> <sup>1</sup>
Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transaction</i> <sup>2</sup>
Amendments to IFRS 15	<i>Clarifications to IFRS 15: Revenue from Contracts with Customers</i> <sup>2</sup>
Amendments to IAS 40	<i>Transfers of Investment Property</i> <sup>2</sup>
Amendments to IFRS 12 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities</i> <sup>1</sup>
Amendments to IFRS 1 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>First-time Adoption of International Financial Reporting Standards</i> <sup>2</sup>
Amendments to IAS 28 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>Investments in Associates and Joint Ventures</i> <sup>2</sup>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i> <sup>2</sup>

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- <sup>1</sup> Effective for annual periods beginning on or after January 1, 2017
- <sup>2</sup> Effective for annual periods beginning on or after January 1, 2018
- <sup>3</sup> Effective for annual periods beginning on or after January 1, 2019
- <sup>4</sup> Effective for annual periods beginning on or after January 1, 2021
- <sup>5</sup> No mandatory effective date yet determined but available for early adoption

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

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

**(a) Classification and measurement**

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognized.

**(b) Impairment**

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

The adoption of IFRS 9 might have an impact on the Group's financial performance and financial position, including the measurement of financial assets and disclosures. In particular, the adoption of an expected credit losses impairment model might result in earlier recognition of credit losses of the Group's trade receivables.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on January 1, 2018. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The Group is in the process of making an assessment of the potential impact of the application of IFRS 15 and it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review is performed by the Group. The impact to the Group is expected to include more comprehensive disclosure as requested by the new standard. In addition, for contract that contains two or more performance obligations, such obligations would be accounted for separately and this might have an impact on the pattern of revenue and profit recognition.

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating

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leases and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. Management is still assessing the impact on the financial performance and position of the Group resulting from the adoption of IFRS 16 for the annual period beginning on January 1, 2019.

For the Group's undiscounted operating lease commitments of US\$1,544,000 as set out in note 29 to the Historical Financial Information, the Directors do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognized in the consolidated statement of financial position as right-of-use assets and lease liabilities.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Business combinations and goodwill

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

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

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

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

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

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

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

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

#### Merger method of accounting for business combination under common control

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

#### Fair value measurement

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

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

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

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

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

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

### Impairment of non-financial assets

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

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

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

### Related parties

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

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third-party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.



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### Property, plant and equipment and depreciation

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

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

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

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

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

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

### Intangible assets (other than goodwill)

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

### Research and development costs

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

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

### Leases

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

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

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

### Investments and other financial assets

#### Initial recognition and measurement

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

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

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### *Subsequent measurement*

The subsequent measurement of financial assets applies the rule as follows:

#### *Loans and receivables*

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

#### **Derecognition of financial assets**

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

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

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

#### **Impairment of financial assets**

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

#### *Financial assets carried at amortized cost*

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

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

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

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

#### **Financial liabilities**

##### *Initial recognition and measurement*

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

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

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



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### ***Subsequent measurement***

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

#### ***Loans and borrowings***

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

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

### **Derecognition of financial liabilities**

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

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

### **Offsetting of financial instruments**

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

### **Cash and cash equivalents**

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

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

### **Provisions**

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

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

### **Income tax**

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

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

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.

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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 a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Revenue recognition

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

- (a) from the rendering of services, as further explained in the accounting policy for "Services revenue" below; and
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

### Services revenue

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

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

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

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

Revenue from the AVOD PPT platform is recognized when the relevant identification and claiming services are rendered and a certain percentage of the incremental advertising revenue is generated.

### Share-based payments

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

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

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

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

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

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

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

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

### **Dividends**

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

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

### **Foreign currencies**

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

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

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

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

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

### **3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of the Group's financial statements requires management to make judgments, 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 Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### ***Impairment of trade receivables***

Impairment of trade receivables is made by assessing the recoverability of trade receivables based on credit history, historical payment pattern, ageing of receivable balances and prevailing market conditions. The identification of doubtful debts requires management judgment and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables as well as doubtful debt expenses or write-back of doubtful debt in the period in which such estimate has been changed. The carrying amounts of trade receivables at December 31, 2014, 2015 and 2016 were US\$1,414,000, US\$4,960,000, and US\$4,071,000, respectively. Further details of the trade and bills receivables are given in note 17.

#### ***Deferred tax assets***

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

#### ***Useful lives of property, plant and equipment and intangible assets***

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

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### *Impairment of non-financial assets*

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

### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2015 and 2016 was US\$6,839,000. Further details are given in note 15.

## 4 OPERATING SEGMENT INFORMATION

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

### **Geographical information**

#### *(a) Revenue from external customers*

	Year ended December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
United States .....	9,473	16,887	15,999
Japan .....	671	584	639
Hong Kong .....	–	105	156
	<u>10,144</u>	<u>17,576</u>	<u>16,794</u>

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

#### *(b) Non-current assets*

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

### **Information about a major customer**

Revenue derived from sales to a major customer, including sales to a group of entities which are known to be under common control with that customer, which accounted for 10% or more of the Group's revenue for the years ended December 31, 2014, 2015 and 2016 is as follows:

	Year ended December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Customer A .....	<u>1,881</u>	<u>2,010</u>	<u>1,815</u>

## 5. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the value of services rendered during the Track Record Period.

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

	Year ended December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Revenue			
Rendering of services .....	<u>10,144</u>	<u>17,576</u>	<u>16,794</u>
Other income and gains			
Interest income .....	<u>1</u>	<u>2</u>	<u>2</u>
Foreign exchange gain .....	<u>–</u>	<u>–</u>	<u>45</u>
Others .....	<u>–</u>	<u>–</u>	<u>64</u>
	<u>1</u>	<u>2</u>	<u>111</u>

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### 6. PROFIT BEFORE TAX

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

	Year ended December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Cost of services provided	1,160	3,909	3,518
Employee benefit expense (excluding Directors and chief executive's remuneration (Note 8)):			
Wages and salaries	2,879	5,254	4,978
Equity-settled share option expense	218	10	39
Other benefits	180	276	376
Pension scheme contributions	—	—	2
	3,277	5,540	5,395
Depreciation of items of property, plant and equipment (Note 13)	169	204	238
Amortization of other intangible assets (Note 14)	—	57	50
Lease payments under operating leases	236	430	440
Impairment of trade receivables	20	125	18
Research and development expenses	980	1,376	1,260
[REDACTED] fees expensed off	—	—	[REDACTED]
Foreign exchange differences, net	16	60	(46)

### 7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31,		
	2014	2015	2016
Interest on finance leases	5	2	—

### 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Subsequent to the end of the Track Record Period, Mr. Vernon Edward ALTMAN, Mr. J David WARGO and Mr. WONG Wai Kwan were appointed as non-executive Directors of the Company on January 1, 2017, January 1, 2017 and June 21, 2017, respectively. Mr. CHAN King Man Kevin, Mr. James Alan CHIDDIX and Mr. Charles Eric EESLEY were appointed as independent non-executive Directors of the Company on [date].

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

Details of the remuneration of the Directors and chief executive are as follows:

	Year ended December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	668	871	919
Equity-settled share option expense	22	2	1
Pension scheme contributions	—	—	—
	690	873	920

During the Track Record Period, certain Directors were granted share options, in respect of their services to the Group, under the share option scheme of the Then Ultimate Holding Company, further details of which are set out in note 24 to the Historical Financial Information. The fair value of such options, which has been recognized in the profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Track Record Period is included in the above Directors' and chief executive's remuneration disclosures.

#### (a) Independent non-executive Directors

There were no independent non-executive Directors during the Track Record Period.

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### (b) Executive Directors and the chief executive

	<b>Fees</b>	<b>Salaries, allowances and benefits in kind</b>	<b>Equity-settled share option expense</b>	<b>Pension scheme contributions</b>	<b>Total</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Year ended December 31, 2014:</b>					
Executive Directors:					
– Mr. Wang* . . . . .	–	300	21	–	321
– Mr. Zhu** . . . . .	–	77	1	–	78
– Mr. Witte*** . . . . .	–	291	–	–	291
	–	668	22	–	690
<b>Year ended December 31, 2015:</b>					
Executive Directors:					
– Mr. Wang* . . . . .	–	448	–	–	448
– Mr. Zhu** . . . . .	–	157	2	–	159
– Mr. Witte*** . . . . .	–	266	–	–	266
	–	871	2	–	873
<b>Year ended December 31, 2016:</b>					
Executive Directors:					
– Mr. Wang* . . . . .	–	455	–	–	455
– Mr. Zhu** . . . . .	–	165	1	–	166
– Mr. Witte*** . . . . .	–	299	–	–	299
	–	919	1	–	920

\* Yangbin Bernard WANG (Mr. Wang) is also the chief executive officer of the Company.

\*\* ZHU Xianming

\*\*\* Michael Paul WITTE

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

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

### 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the years ended December 31, 2014, 2015, and 2016 included 2, 2 and 3 Directors, respectively, details of whose remuneration are set out in Note 7(b) above. Details of the remuneration of the remaining 3, 3 and 2 highest paid employees who are neither a Director nor chief executive of the Group during the years ended December 31, 2014, 2015, and 2016 are as follows:

	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Salaries, allowances and benefits in kind . . . . .	485	577	503
Equity-settled share option expense . . . . .	1	3	10
Pension scheme contribution . . . . .	–	–	–
	486	580	513

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

	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
HK\$1,000,001 to HK\$1,500,000 . . . . .	3	2	1
HK\$1,500,001 to HK\$2,500,000 . . . . .	–	1	–
HK\$2,500,001 to HK\$3,000,000 . . . . .	–	–	1
	3	3	2

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### 10. INCOME TAX EXPENSE

Income tax consists primarily of United States, Hong Kong and Japan enterprise income tax charged on the Group. United States income tax applicable to the Group is at the federal tax rate of 34%. No provision for Hong Kong profits tax for the years ended December 31, 2014 and 2015 has been made as the Group had no assessable profits derived from or earned in Hong Kong during those years. The income tax applicable to Hong Kong profits was provided at a statutory tax rate of 16.5% during the year ended December 31, 2016. The following table sets forth the income tax expenses for the periods indicated.

The major components of income tax expenses for the years ended December 31, 2014, 2015 and 2016 are as follows:

	Year ended December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Current – United States			
Charge for the year	–	97	11
Current – Hong Kong			
Charge for the year	–	–	4
Current – Japan			
Charge for the year	2	1	1
Deferred tax assets (Note 16)	912	1,532	1,120
Total tax expenses for the year	914	1,630	1,136

A reconciliation of the U.S. federal statutory income tax rate of 34.0% to our effective tax rate for the years ended December 31, 2014, 2015 and 2016 is as follows:

	Year ended December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Profit before tax	2,727	4,257	3,974
Tax at the US federal statutory income tax rate	927	1,447	1,351
US state income taxes, net of federal benefit	160	260	178
Lower tax rate for specific jurisdictions	(24)	(18)	(17)
Effect on opening deferred tax of changes in rates	–	233	(60)
Non-deductible expenses	26	22	29
Non-taxable income	(10)	(17)	(42)
Additional deductible allowance for research and development costs	(67)	(110)	(113)
Others	(98)	(187)	(190)
Tax charge at the Group's effective tax rate	914	1,630	1,136

### 11. DIVIDENDS

During the Track Record Period, no dividend has been paid or declared by the Company.

### 12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the preparation of the results of the Group for the Track Record Period. The preparation basis was disclosed in note 2.1 above.



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### 13. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment	Leasehold improvements	Furniture and fixtures	Total
	US\$'000	US\$'000	US\$'000	US\$'000
<b>2014</b>				
At January 1, 2014:				
Cost .....	899	—	—	899
Accumulated depreciation .....	(693)	—	—	(693)
Net carrying amount .....	206	—	—	206
At January 1, 2014, net of accumulated depreciation .....	206	—	—	206
Additions .....	64	220	160	444
Depreciation provided during the year ...	(143)	(15)	(11)	(169)
At December 31, 2014, net of accumulated depreciation .....	127	205	149	481
At December 31, 2014:				
Cost .....	963	220	160	1,343
Accumulated depreciation .....	(836)	(15)	(11)	(862)
Net carrying amount .....	127	205	149	481
<b>2015</b>				
At January 1, 2015:				
Cost .....	963	220	160	1,343
Accumulated depreciation .....	(836)	(15)	(11)	(862)
Net carrying amount .....	127	205	149	481
At January 1, 2015, net of accumulated depreciation .....	127	205	149	481
Additions .....	542	—	10	552
Acquisition of business (Note 27) .....	5	—	—	5
Depreciation provided during the year ...	(126)	(44)	(34)	(204)
At December 31, 2015, net of accumulated depreciation .....	548	161	125	834
At December 31, 2015:				
Cost .....	1,061	220	170	1,451
Accumulated depreciation .....	(513)	(59)	(45)	(617)
Net carrying amount .....	548	161	125	834
<b>2016</b>				
At January 1, 2016:				
Cost .....	1,061	220	170	1,451
Accumulated depreciation .....	(513)	(59)	(45)	(617)
Net carrying amount .....	548	161	125	834
At January 1, 2016, net of accumulated depreciation .....	548	161	125	834
Additions .....	32	—	—	32
Depreciation provided during the year ...	(159)	(44)	(35)	(238)
At December 31, 2016, net of accumulated depreciation .....	421	117	90	628
At December 31, 2016:				
Cost .....	1,093	220	170	1,483
Accumulated depreciation .....	(672)	(103)	(80)	(855)
Net carrying amount .....	421	117	90	628

The net carrying amounts of the Group's property, plant and equipments held under finance leases included in the total amounts of computer equipment at December 31, 2014, 2015 and 2016 were US\$67,000, US\$45,000 and US\$22,000, respectively.



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## ACCOUNTANTS’ REPORT

### 14. OTHER INTANGIBLE ASSETS

	Software
	US\$’000
<b>2014 and 2015</b>	
At January 1, 2014, at December 31, 2014 and at January 1, 2015: . . . . .	–
Cost . . . . .	–
Accumulated amortization . . . . .	–
Net carrying amount . . . . .	–
At January 1, 2015, net of accumulated amortization . . . . .	–
Acquisition of a business (Note 27) . . . . .	107
Amortization provided during the year . . . . .	(57)
At December 31, 2015, net of accumulated amortization . . . . .	50
At December 31, 2015 and at January 1, 2016:	
Cost . . . . .	107
Accumulated amortization . . . . .	(57)
Net carrying amount . . . . .	50
<b>2016</b>	
At January 1, 2016:	
Cost . . . . .	107
Accumulated amortization . . . . .	(57)
Net carrying amount . . . . .	50
At January 1, 2016, net of accumulated amortization . . . . .	50
Addition . . . . .	–
Amortization provided during the year . . . . .	(50)
At December 31, 2016, net of accumulated amortization . . . . .	–
At December 31, 2016:	
Cost . . . . .	107
Accumulated amortization . . . . .	(107)
Net carrying amount . . . . .	–

### 15. GOODWILL

	US\$’000
At January 1, 2014, December 31, 2014 and January 1, 2015 . . . . .	–
Acquisition of a business (note 27) . . . . .	6,839
Cost as at December 31, 2015 and 2016 . . . . .	6,839
Impairment . . . . .	–
Net carrying amount as at December 31, 2015 and 2016 . . . . .	6,839

#### Impairment testing of goodwill

Goodwill from the acquisition of the Conventional PPT business was made in connection with the development of the Group’s transaction-based SaaS business. Therefore, the goodwill is allocated to the related cash-generating unit, Transaction-based SaaS Business.

The recoverable amount of the cash-generating unit have been determined based on a value in use calculation using cash flow projections based on financial budgets of transaction-based SaaS business covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 14% as at December 31, 2015 and 2016, which is the Weighted Average Cost of Capital (WACC) of the Group.

The growth rate used to extrapolate the cash flows beyond the five-year period was 3% as at December 31, 2015 and 2016.

Assumptions were used in the value in use calculation of the services cash-generating units for December 31, 2015 and 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

**Revenue** – the bases used to determine the future earnings potential for the Transaction-based SaaS business are historical sales and average and expected growth rates of the market in the United States. Since there were no historical sales for the transactional video-on-demand Pay Per Transaction (“TVOD PPT”) Business, the Company used average and expected growth rates of the market only to project its future earnings.

**Budgeted gross margins** – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

**Discount rate** – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

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## ACCOUNTANTS' REPORT

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

### 16. DEFERRED TAX ASSETS

The movements in deferred tax assets during the Track Record Period are as follows:

	Losses available for offsetting against future taxable profits	Depreciation allowance in excess of related depreciation	Research and development costs	Tax deduction of goodwill	Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At January 1, 2014 .....	7,376	79	414	–	–	7,869
Deferred tax credited/(charged) to profit/ loss during the year .....	(914)	(65)	67	–	–	(912)
At December 31, 2014 and January 1, 2015 .....	6,462	14	481	–	–	6,957
Deferred tax credited/(charged) to profit/loss during the year .....	(1,375)	(67)	110	(277)	77	(1,532)
At December 31, 2015 and January 1, 2016 .....	5,087	(53)	591	(277)	77	5,425
Deferred tax credited/(charged) to profit/loss during the year .....	(1,283)	35	113	(62)	77	(1,120)
At December 31, 2016 .....	3,804	(18)	704	(339)	154	4,305

As at December 31, 2014, 2015 and 2016, deferred tax assets related to Vobile US have been calculated at a composite statutory tax rate of 39.83%, 38.5% and 38.92%, which consisted of federal income tax rate of 34% and multiple state income tax rates.

Deferred tax assets had been provided for the losses available for offsetting against future taxable profits. The Group had tax losses and unutilized deduction arising in the United States of US\$16,224,000, US\$13,213,000 and US\$9,774,000 as at December 31, 2014, 2015 and 2016, respectively, that will expire in ten to twenty years respectively, from December 31, 2016 for offsetting against future taxable profits.

### 17. TRADE RECEIVABLES

	December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Trade receivables .....	1,423	5,009	4,111
Impairment .....	(9)	(49)	(40)
	1,414	4,960	4,071

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

An aging analysis of the current trade receivables as at December 31, 2014, 2015 and 2016, based on the invoice date and net of provisions, is as follows:

	December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Within 90 days .....	1,299	4,929	4,047
91 to 180 days .....	104	–	13
181 to 365 days .....	11	–	11
Over 365 days .....	–	31	–
	1,414	4,960	4,071

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

	December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
At beginning of year . . . . .	–	9	49
Impairment losses recognized . . . . .	20	148	18
Impairment losses reversed . . . . .	–	(23)	–
Amount written off as uncollectible . . . . .	(11)	(85)	(27)
At end of year . . . . .	9	49	40

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of US\$9,000, US\$49,000 and US\$40,000 with a carrying amount before provision of US\$9,000, US\$49,000 and US\$40,000 as at December 31, 2014, 2015 and 2016, respectively.

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

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

	December 31,		
	2014	2015	2016
	USD'000	USD'000	USD'000
Neither past due nor impaired . . . . .	982	4,603	3,681
Within 90 days . . . . .	401	326	368
91 to 180 days . . . . .	31	–	13
181 to 365 days . . . . .	–	31	9
	1,414	4,960	4,071

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

### 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Prepayments . . . . .	234	890	1,727
Deposits . . . . .	60	63	59
Other receivables . . . . .	–	954	315
	294	1,907	2,101
Portion classified as current assets . . . . .	(294)	(1,907)	(1,706)
Non-current portion . . . . .	–	–	395

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

### 19. DUE TO THE THEN ULTIMATE HOLDING COMPANY

	December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
VideoMobile Co., Ltd. . . . . (i)	19,049	19,760	–

- (i) The balances due to the Then Ultimate Holding Company are non-trade, unsecured, interest-free and repayable on demand.

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### 20. CASH AND CASH EQUIVALENTS The Group

	December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Cash and bank balances .....	2,220	4,050	7,139
Denominated in US\$ .....	2,055	3,705	6,619
Denominated in JPY .....	165	207	276
Denominated in HK\$ .....	–	138	244
	2,220	4,050	7,139

#### The Company

	December 31, 2016
	US\$'000
Cash and bank balances .....	4,500
Denominated in US\$ .....	4,500

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

### 21. TRADE PAYABLES

	December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Within 90 days .....	171	2,818	1,523
91 to 180 days .....	–	126	–
	171	2,944	1,523

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

### 22. OTHER PAYABLES AND ACCRUALS

	December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Payroll and welfare accruals .....	467	809	485
Accruals .....	213	1,426	595
Deferred income .....	44	34	514
Other payables .....	379	235	106
	1,103	2,504	1,700

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

### 23. FINANCE LEASE PAYABLES

The Group leases certain of its computers. These leases are classified as finance leases and have lease terms of three years.

As at December 31, 2014, 2015 and 2016, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		
	December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Amounts payable:			
Within one year .....	38	2	1
In the second year .....	2	1	–
In the third to fifth years, inclusive .....	1	–	–
Total minimum finance lease payments .....	41	3	1

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	Present value of minimum lease payments December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Amounts payable:			
Within one year	40	2	1
In the second year	2	1	—
In the third to fifth years, inclusive	1	—	—
Total minimum finance lease payments	43	3	1
Future finance charges	(2)	—	—
Total net finance lease payables	41	3	1
Portion classified as current liabilities	(38)	(2)	(1)
Non-current portion	3	1	—

### 24. SHARE OPTION SCHEME

The Then Ultimate Holding Company of the Company, operated a Dual Stock Incentive Plan (the "DSIP Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the DSIP Scheme include the Group's Directors and other employees, and they could exercise with prices ranging from US\$0.0025 to US\$0.67 per ordinary share. The DSIP Scheme became effective on February 15, 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The options are exercisable at the minimum rate of twenty percent (20%) per year for each of the first five (5) years starting from the date of grant. The maximum number of unexercised share options currently permitted to be granted under the DSIP Scheme is 13,611,894. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Then Ultimate Holding Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the DSIP Scheme during the Track Record Period:

	2014		2015		2016	
	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 January 1, . . . . .	0.09	5,887	0.10	5,246	0.09	4,076
Granted during the year . . . .	0.18	444	—	—	0.32	1,101
Forfeited during the year . . .	0.10	(10)	0.12	(170)	—	—
Exercised during the year . . .	0.11	(1,075)	0.11	(1,000)	0.11	(3,881)
Expired during the year . . . .	—	—	—	—	—	—
At December 31, . . . . .	0.10	5,246	0.09	4,076	0.23	1,296

The exercise prices and exercise periods of the share options outstanding as at the end of the Track Record Period are as follows:

### 2014

Number of options '000	Exercise price* US\$ per share	Exercise period
444	0.18	20-10-2018 to 20-10-2024
2,710	0.11	22-7-2017 to 23-7-2023
120	0.10	4-3-2016 to 23-7-2023
80	0.09	25-7-2015 to 25-7-2021
20	0.10	23-7-2015 to 23-7-2023
42	0.09	22-3-2015 to 22-3-2021
100	0.09	30-11-2014 to 22-3-2021
10	0.09	6-11-2014 to 22-3-2021
300	0.09	4-10-2014 to 22-3-2021
200	0.10	22-7-2014 to 23-7-2023
20	0.09	25-7-2013 to 25-7-2021
20	0.06	4-5-2012 to 21-7-2019
40	0.06	29-2-2012 to 21-7-2019
400	0.05	20-2-2012 to 20-2-2018
80	0.06	29-9-2011 to 29-9-2019
220	0.05	26-9-2011 to 26-9-2017
360	0.03	15-6-2011 to 15-6-2017
80	0.03	15-6-2009 to 15-6-2017
5,246		

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### 2015

Number of options	Exercise price *	Exercise period
'000	US\$ per share	
394	0.18	20-10-2018 to 20-10-2024
1,710	0.11	22-7-2017 to 23-7-2023
80	0.09	25-7-2015 to 25-7-2021
20	0.10	23-7-2015 to 23-7-2023
42	0.09	22-3-2015 to 22-3-2021
100	0.09	30-11-2014 to 22-3-2021
10	0.09	6-11-2014 to 22-3-2021
300	0.09	4-10-2014 to 22-3-2021
200	0.10	22-7-2014 to 23-7-2023
20	0.09	25-7-2013 to 25-7-2021
20	0.06	4-5-2012 to 21-7-2019
40	0.06	29-2-2012 to 21-7-2019
400	0.05	20-2-2012 to 20-2-2018
80	0.06	29-9-2011 to 29-9-2019
220	0.05	26-9-2011 to 26-9-2017
360	0.03	15-6-2011 to 15-6-2017
80	0.03	15-6-2009 to 15-6-2017
4,076		

### 2016

Number of options	Exercise price *	Exercise period
'000	US\$ per share	
741	0.32	18-1-2020 to 18-1-2026
161	0.18	20-10-2018 to 20-10-2024
150	0.10	22-7-2017 to 23-7-2023
42	0.09	22-3-2015 to 22-3-2021
100	0.09	30-11-2014 to 22-3-2021
22	0.10	22-7-2014 to 23-7-2023
20	0.09	25-7-2013 to 25-7-2021
20	0.06	29-9-2011 to 29-9-2019
40	0.05	26-9-2011 to 26-9-2017
1,296		

\*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 Then Ultimate Holding Company's share capital.

The fair value of the share options granted during the year ended December 31, 2014 were US\$15,000 (US\$0.03 each), while during the year ended December 31, 2016 were US\$62,000 (US\$0.05 each). No share options were granted in 2015.

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

	2014	2016
Dividend yield (%)	0.0%	0.0%
Expected volatility (%)	68.1%	73.4%
Risk-free interest rate (%)	0.2%	1.0%
Weighted average share price (US\$ per share)	0.18	0.32

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.

As at December 31, 2014, 2015 and 2016, the Company had 5,246,000, 4,076,000 and 1,296,000, respectively, share options outstanding under the DSIP Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the change of the Then Ultimate Holding Company's share capital and would have no impact to the Company's share capital.

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The Company operated a Pre-[REDACTED] Share Option Scheme for the purpose of providing additional incentive to eligible participants of the Group and to promote the success of the Group's operations. Eligible participants of the Pre-[REDACTED] Share Option Scheme include employees, directors, consultants and advisers of the Group, and they could exercise with prices no less than 100% of the fair value market value of a share on the date of grant. The Pre-[REDACTED] Share Option Scheme became effective on December 30, 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. For further details of the Pre-[REDACTED] Share Option Scheme, please refer to the section headed "Statutory and General Information – Other Information – Pre-[REDACTED] Share Option Scheme" in Appendix IV to the [REDACTED]. At December 31, 2016, the Company has not granted any options under the Pre-[REDACTED] Share Option Scheme and no share option is outstanding under the Pre-[REDACTED] Option Scheme.

### 25. SHARE CAPITAL

	Shares
	2016
	US\$'000
Issued and fully paid (US\$0.0001 per share):	
32,199,429 Ordinary Shares (Authorized: 7,940,000,000 shares) . . . . .	3
9,809,530 Series A Preference Shares (Authorized: 9,809,530 shares) . . . . .	1
18,962,964 Series B Preference Shares (Authorized: 18,962,964 shares) . . . . .	2
12,550,280 Series C Preference Shares (Authorized: 12,619,724 shares) . . . . .	1
9,771,431 Series D Preference Shares (Authorized: 18,607,782 shares) . . . . .	1
	8

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

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

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

Definitions of the preference shares are as follows:

- The Series A Preference Shares have a dividend preference equal to US\$0.0144 per share over ordinary shares if and when dividends are declared; a liquidation preference of US\$0.2400 per share over ordinary shares triggered upon a sale, merger, or dissolution of the Then Ultimate Holding Company; are convertible voluntarily by their holders into ordinary shares on a one-to-one basis and convert automatically upon certain events; and vote based on their underlying ordinary shares.
- The Series B Preference Shares are pari passu with the Series A Preference Shares and have a dividend preference equal to US\$0.0259 per share over ordinary shares if and when dividends are declared; a liquidation preference of US\$0.4320 per share over ordinary shares triggered upon a sale, merger, or dissolution of the Then Ultimate Holding Company; are convertible voluntarily by their holders into ordinary shares on a one-to-one basis and convert automatically upon certain events; vote based on their underlying ordinary shares.
- The Series C Preference Shares have a dividend preference pari passu with the Series A and B Preference Shares equal to US\$0.0432 per share over the ordinary shares if and when dividends are declared; have a liquidation preference of US\$0.7200 per share senior to the Series A and B Preference Shares and to the ordinary shares triggered upon a sale, merger, or dissolution of the Then Ultimate Holding Company; are convertible voluntarily by their holders into ordinary shares on a one-to-one basis and convert automatically upon certain events; and vote based on their underlying ordinary shares.
- The Series D Preference Shares have a dividend preference pari passu with the Series A, B, and C Preference Shares equal to US\$0.0840 per share over the ordinary shares if and when dividends are declared; have a liquidation preference of US\$1.4000 per share pari passu with the Series C Preference Shares and senior to the Series A and B Preference Shares and to the ordinary shares triggered upon a sale, merger, or dissolution of the Then Ultimate Holding Company; convertible voluntarily by their holders into ordinary shares on a one-to-one basis and convert automatically upon certain events; and vote based on their underlying ordinary shares.

On January 1, 2017, the Then Ultimate Holding Company distributed all the company's ordinary and preference shares to its shareholders as in specie dividends, as set out in the section headed "Reorganization – 3. Spin-off of the Group from the Then Ultimate Holding Company." in the [REDACTED].

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## ACCOUNTANTS' REPORT

As at December 31, 2016, the Company had an aggregate amount of 83,293,634 outstanding 83,293,634 ordinary and preference shares; all of the preference shares will convert automatically into ordinary shares upon the closing of the [REDACTED].

### 26. RESERVES

The amounts of the Group's reserves and the movements therein for the Track Record Period are presented in the consolidated statements of changes in equity.

#### Merger reserve

The merger reserve of the Group represents the reserve arose pursuant to the Reorganization as mentioned in note 2.1 of Section II to the Historical Financial Information. Details of the movements in the merger reserve are set out in the consolidated statements of changes in equity.

#### Other reserve

The other reserve of the Group and the Company represents certain payments made by the Then Ultimate Holding Company on behalf of the Group.

### 27. BUSINESS COMBINATION

On January 31, 2015, the Group acquired a 100% interest in the Conventional Pay Per Transaction (the "Conventional PPT") business from Rentrak Corporation (now merged with comScore, Inc.). The Conventional PPT platform incorporates a unique set of applications designed to help clients maintain and direct their business practices relating to home video products. The system monitors and records day-to-day rental and sales activities, which helps studios and video stores share revenue as contract terms agreed. The acquisition was made as the Directors are of the view that there is a synergy between the Conventional PPT business and the other existing business. The total purchase consideration for the acquisition was US\$8,990,000 which was shown as below:

	Note	Fair value recognized on acquisition
		US\$'000
Cash consideration . . . . .		3,990
Share consideration . . . . .	(1)	5,000
		<u>8,990</u>

- (1) 2,857,143 Series D preference shares of the Then Ultimate Holding Company were issued at US\$1.75 per share.

The fair values of the identifiable assets and liabilities of the Conventional PPT business as at the date of acquisition were as follows:

	Notes	Fair value recognized on acquisition
		US\$'000
Property, plant and equipment . . . . .	13	5
Other intangible assets . . . . .	14	107
Trade receivables . . . . .		3,768
Prepayments and other receivables . . . . .		528
Trade payables . . . . .		(2,206)
Other payables and accruals . . . . .		(51)
Total identifiable net assets at fair value . . . . .		<u>2,151</u>
Goodwill on acquisition . . . . .	15	<u>6,839</u>
		<u>8,990</u>

The Group incurred transaction costs of US\$229,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the profit or loss for the year ended December 31, 2015.

Goodwill of US\$6,839,000 recognized is expected to be deductible for income tax purpose.

Since the acquisition, the Conventional PPT business contributed US\$7,786,000 to the Group's revenue for the year ended 31 December 2015.

Had the combination taken place at the beginning of Track Record Period, the revenue from operations of the Group for the years ended December 31, 2014 and 2015 would have been US\$19,723,000 and US\$18,454,000, respectively; and the profit of the Group for the year ended December 31, 2014 would have been US\$1,824,000.



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## ACCOUNTANTS' REPORT

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

	US\$'000
Net outflow of cash and cash equivalents included in cash flows	
from investing activities .....	3,990
Transaction costs of the acquisition included in cash flows	
from operating activities .....	229
	<u>4,219</u>

### 28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### Major non-cash transactions

During the year ended December 31, 2015, the Company acquired the Conventional PPT Business at a consideration that includes 2,857,143 Series D preference shares of the Then Ultimate Holding Company with a value of US\$1.75 per share as set out in note 25. During the year ended December 31, 2016, the Then Ultimate Holding Company waived a balance due from the Company amounting to US\$20,128,000.

### 29. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for office premises are negotiated for terms ranging from 3 to 6 years.

As at December 31, 2014, 2015 and 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Within one year .....	384	525	519
In the second to fifth years, inclusive .....	1,066	1,383	1,025
After five years .....	262	—	—
	<u>1,712</u>	<u>1,908</u>	<u>1,544</u>

### 30. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at December 31, 2014, 2015 and 2016.

### 31. RELATED PARTY TRANSACTIONS

Outstanding balances with related parties:

Details of the Group's balance with related parties as at December 31, 2014, 2015 and 2016 are included in note 19 to the Historical Financial Information.

### 32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at December 31, 2014, 2015 and 2016 are as follows:

#### Financial assets-loans and receivables

	December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Trade receivables .....	1,414	4,960	4,071
Financial assets included in prepayments, deposits and other receivables .....	—	954	315
Cash and cash equivalents .....	2,220	4,050	7,139
	<u>3,634</u>	<u>9,964</u>	<u>11,525</u>

#### Financial liabilities-Financial liabilities at amortized costs

	December 31,		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Trade payables .....	171	2,944	1,523
Financial liabilities included in other payables and accruals .....	1,059	2,470	1,186
Due to the Then Ultimate Holding Company .....	19,049	19,760	—
Finance lease payables .....	41	3	1
	<u>20,320</u>	<u>25,177</u>	<u>2,710</u>

## APPENDIX I

## ACCOUNTANTS' REPORT

### 33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at December 31, 2014, 2015 and 2016, the fair values of the Group's financial assets or financial liabilities approximated to their respective carrying amounts.

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

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

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

### 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

It is, and has been during the Track Record Period, the Group's policy that no trading in financial instruments should be undertaken.

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

#### Credit risk

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

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

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer and by geographical region. At the end of year 2016, the Group had certain concentrations of credit risk as 3% (2014: 12%; 2015: 10%), and 14% (2014: 49%, 2015: 19%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

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

#### Liquidity risk

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

The maturity profile of the Group's financial liabilities as at December 31, 2014, 2015 and 2016, based on the contractual undiscounted payments, is as follows:

#### December 31, 2014

	On demand	Within 1 year	Over 1 year	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Trade payables . . . . .	–	171	–	171
Financial liabilities included in other payables and accruals . . . . .	1,059	–	–	1,059
Due to the Then Ultimate Holding Company . . . . .	19,049	–	–	19,049
Finance lease payables . . . . .	–	38	3	41
	<u>20,108</u>	<u>209</u>	<u>3</u>	<u>20,320</u>

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### December 31, 2015

	On demand	Within 1 year	Over 1 year	Total
	US\$’000	US\$’000	US\$’000	US\$’000
Trade payables .....	–	2,944	–	2,944
Financial liabilities included in other payables and accruals .....	2,470	–	–	2,470
Due to the Then Ultimate Holding Company .....	19,760	–	–	19,760
Finance lease payables .....	–	2	1	3
	22,230	2,946	1	25,177

### December 31, 2016

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

### Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2014, 2015 and 2016.

### 35. EVENTS AFTER THE TRACK RECORD PERIOD

Pursuant to the resolutions of the Board dated April 25, 2017, the Company granted 4,000,000 Pre-[REDACTED] Options under the Pre-[REDACTED] Share Option Scheme as set out in note 24. All Pre-[REDACTED] Options were granted at an exercise price of US\$0.50. All such Pre-[REDACTED] Options vest as to 50% of the underlying Shares on April 25, 2019, with the remaining 50% of the underlying Shares vesting in 24 equal installments over the two years thereafter.

### 36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to December 31, 2016.

## III. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF THE CONVENTIONAL PPT BUSINESS

Pre-acquisition financial information of the Conventional PPT business for the period from January 1, 2014 to January 31, 2015 (the “Pre-acquisition Period”) has been prepared in accordance with the basis of preparation and accounting policies as set out below. This information is referred hereafter as “Financial Information of the Conventional PPT business”)

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## ACCOUNTANTS' REPORT

### 1. FINANCIAL INFORMATION OF THE CONVENTIONAL PPT BUSINESS

#### Statements of profit or loss and other comprehensive income

Year ended December 31, 2014 and one month ended January 31, 2015

	Notes	Year ended December 31, 2014	One month ended January 31, 2015
		US\$'000	US\$'000
<b>REVENUE</b> .....		9,579	878
Cost of services provided .....		(2,853)	(235)
Gross profit .....		6,726	643
Administrative expenses .....		(6,670)	(518)
Other expenses .....		(37)	–
<b>PROFIT BEFORE TAX</b> .....	2.2	19	125
Income tax expense .....	2.3	(8)	(50)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD</b>		<u>11</u>	<u>75</u>

#### Statements of financial position

As at December 31, 2014 and January 31, 2015

	Notes	December 31, 2014	January 31, 2015
		US\$'000	US\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment .....	2.4	8	5
Intangible assets .....	2.5	112	107
<b>Total non-current assets</b> .....		<u>120</u>	<u>112</u>
<b>CURRENT ASSETS</b>			
Trade receivables .....	2.6	2,938	3,768
Prepayments, deposits and other receivables .....	2.7	461	528
Due from related parties .....	2.10	2,507	97
<b>Total current assets</b> .....		<u>5,906</u>	<u>4,393</u>
<b>CURRENT LIABILITIES</b>			
Trade payables .....	2.8	2,886	2,206
Other payables and accruals .....	2.9	567	51
Due to related parties .....	2.10	895	495
<b>Total current liabilities</b> .....		<u>4,348</u>	<u>2,752</u>
<b>NET CURRENT ASSETS</b> .....		<u>1,558</u>	<u>1,641</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> .....		<u>1,678</u>	<u>1,753</u>
<b>Net assets</b> .....		<u>1,678</u>	<u>1,753</u>
<b>EQUITY</b>			
Reserves .....		<u>1,678</u>	<u>1,753</u>

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The Conventional PPT business had no cash and cash equivalents as at December 31, 2014 and January 31, 2015.

### Statements of changes in equity

	Retained profits
	US\$'000
At January 1, 2014 .....	1,667
Profit for the year .....	11
At December 31, 2014 and January 1, 2015 .....	1,678
Profit for the period .....	75
At January 31, 2015 .....	1,753

### Statements of cash flows

The Conventional PPT business had no independent bank account and the payments were settled by Rentrak (the Conventional PPT business' former holding company that was defined in note 27) and recorded under the amounts due to related parties. Therefore, no statements of cash flows were presented.

## 2. NOTES TO THE FINANCIAL INFORMATION OF THE CONVENTIONAL PPT BUSINESS

### 2.1 Principal accounting policies

The financial information of the Conventional PPT business has been prepared in accordance with the accounting policies set out in Section II, Note 2.4.

### 2.2 Profit before tax

The Conventional PPT business' profit before tax is arrived at after charging:

	Year ended December 31,	One month ended January 31,
	2014	2015
	US\$'000	US\$'000
Cost of services provided .....	2,853	235
Employee benefit expense:		
Wages and salaries .....	5,119	393
Depreciation of items of property, plant and equipment .....	64	8
Impairment of trade receivables reversed (note 2.6) .....	(27)	—

### 2.3 Income tax expense

The Conventional PPT business is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which it is domiciled and operates.

United States profits tax has been provided at the rate of 34% for the year ended December 31, 2014 and the month ended January 31, 2015 on the estimated assessable profits arising in the United States during the year/period.

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## ACCOUNTANTS' REPORT

The major component of income tax expense is as follows:

	Year ended December 31,	One month ended January 31,
	2014	2015
	US\$'000	US\$'000
Current-US charge for the year/period . . . . .	8	50

### 2.4 Property, plant and equipment

	Office equipment	Furniture and fixtures	Total
	US\$'000	US\$'000	US\$'000
2014			
At January 1, 2014			
Cost . . . . .	439	20	459
Accumulated depreciation . . . . .	(433)	(20)	(453)
Net carrying amount . . . . .	6	–	6
At January 1, 2014, net of accumulated depreciation . . . . .	6	–	6
Disposals . . . . .	(6)	–	(6)
Depreciation provided during the year . . . . .	8	–	8
At December 31, 2014 net of accumulated depreciation . . . . .	8	–	8
At December 31, 2014			
Cost . . . . .	433	20	453
Accumulated depreciation . . . . .	(425)	(20)	(445)
Net carrying amount . . . . .	8	–	8
2015			
At December 31, 2014 and January 1, 2015			
Cost . . . . .	433	20	453
Accumulated depreciation . . . . .	(425)	(20)	(445)
Net carrying amount . . . . .	8	–	8
At January 1, 2015, net of accumulated depreciation . . . . .	8	–	8
Disposals . . . . .	(16)	–	(16)
Depreciation provided During the year . . . . .	13	–	13
At January 31, 2015, net of accumulated depreciation . . . . .	5	–	5
At January 31, 2015			
Cost . . . . .	417	20	437
Accumulated depreciation . . . . .	(412)	(20)	(432)
Net carrying amount . . . . .	5	–	5

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## ACCOUNTANTS' REPORT

### 2.5 Intangible assets

	<b>Software</b>
	<b>US\$'000</b>
<b>Cost</b>	
At January 1, 2014 .....	894
Disposals .....	(296)
At December 31, 2014, January 1, 2015 and January 31, 2015...	598
<b>Accumulated depreciation</b>	
At January 1, 2014 .....	633
Provided during the year.....	64
Disposal .....	(211)
At December 31, 2014 and January 1, 2015 .....	486
Provided during the year.....	5
At January 31, 2015 .....	491
<b>Net carrying amount</b>	
<b>At December 31, 2014</b> .....	112
<b>At January 31, 2015</b> .....	107

### 2.6 Trade receivables

	<b>As at December 31, 2014</b>	<b>As at January 31, 2015</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Trade receivables.....	3,117	3,768
Impairment.....	(179)	–
	2,938	3,768

The Conventional PPT business' trading terms with its debtors are mainly on credit. The Conventional PPT business grants different credit periods to debtors. The credit terms range from 10 day to 60 days. The credit period of individual debtors is considered on a case-by-case basis. The Conventional PPT business seeks to maintain strict control over its outstanding receivables and closely monitors them to minimize credit risk. Overdue balances are reviewed regularly by management. Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values.

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## ACCOUNTANTS' REPORT

An aging analysis of the trade receivables as at December 31, 2014 and January 1, 2015, based on the invoice date and net of provisions, is as follows:

	As at December 31, 2014	As at January 31, 2015
	US\$'000	US\$'000
Within 90 days .....	2,938	3,768

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

	As at December 31, 2014	As at January 31, 2015
	US\$'000	US\$'000
At beginning of year/period .....	240	179
Impairment losses reversed .....	(27)	–
Amount written off as uncollectible .....	(34)	(179)
	179	–

Included in the above provision for impairment of trade receivables was a provision for an individually impaired trade receivable of US\$179,000 with a carrying amount before provision of US\$179,000 for the year ended December 31, 2014.

The individually impaired trade receivable relates to a debtor that was in financial difficulty or was in default in principal payment and only a portion of the receivable is expected to be recovered.

An aging analysis of the trade receivables, regardless of whether they are past due or not, that are not individually nor collectively considered to be impaired is as follows:

	As at December 31, 2014	As at January 31, 2015
	US\$'000	US\$'000
Neither past due nor impaired .....	2,921	3,727
Within 90 days .....	17	41
	2,938	3,768

Receivables that were neither past due nor impaired relate to a number of diversified debtors for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent debtors that have a good track record with the Conventional PPT business. The Conventional PPT business does not hold any collateral or other credit enhancements over its trade receivable balances.



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## ACCOUNTANTS' REPORT

### 2.7 Prepayments, deposits and other receivables

	As at December 31, 2014	As at January 31, 2015
	US\$'000	US\$'000
Prepayments . . . . .	435	501
Deposits and other receivables . . . . .	26	27
	<u>461</u>	<u>528</u>

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

The carrying amounts of deposits and other receivables approximate to their fair values.

### 2.8 Trade payables

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

	As at December 31, 2014	As at January 31, 2015
	US\$'000	US\$'000
Within 90 days . . . . .	<u>2,886</u>	<u>2,206</u>

The trade payables are non-interest-bearing and are normally to be settled within 90 days. The carrying amounts of the trade payables approximate to their fair values.

### 2.9 Other payables and accruals

	As at December 31, 2014	As at January 31, 2015
	US\$'000	US\$'000
Payroll and welfare accruals . . . . .	563	—
Other payables . . . . .	<u>4</u>	<u>51</u>
	<u>567</u>	<u>51</u>

The carrying amounts of other payables and accruals approximate to their fair values.

### 2.10 Balances with related parties

Balances due from/to related parties are amounts received from/paid by Rentrak (the Conventional PPT business' former holding company) for the Conventional PPT business.

## APPENDIX II

## UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this [REDACTED], and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this [REDACTED] and Accountants' Report set out in Appendix I to this [REDACTED].*

### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the [REDACTED] and on the basis of the notes set out below for the purpose of illustrating the effect of the [REDACTED] on the consolidated net tangible assets of the Group attributable to owners of the Company as if the [REDACTED] had taken place on December 31, 2016.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the [REDACTED] been completed as at December 31, 2016 or any future dates.

The following statement of unaudited pro forma adjusted consolidated net tangible assets is based on the consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2016 as shown in the Accountants' Report of the Group, the text of which is set forth in Appendix I to this [REDACTED], and is adjusted as follows:

	Consolidated net Tangible assets attributable to owners of the Company as at December 31, 2016	Estimated net [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	US\$'000	US\$'000	US\$'000	US\$	HK\$
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]	14,923	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]	14,923	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

## APPENDIX II

## UNAUDITED PRO FORMA FINANCIAL INFORMATION

*Notes:*

- (1) The consolidated net tangible assets attributable to owners of the Company as of 31 December 2016 is arrived at after deducting goodwill of US\$6,839,000 from the audited consolidated equity attributable to owners of the Company of US\$21,762,000 as of 31 December 2016, as shown in the Accountants' Report, the text of which is set out in Appendix I to this [REDACTED].
- (2) The estimated net [REDACTED] from the [REDACTED] are based on estimated [REDACTED] of HK\$[REDACTED] or HK\$[REDACTED] (excluding [REDACTED] expenses that is charged to our consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2016) per [REDACTED] after deduction of the [REDACTED] fees and other related expenses payable by our Company and take no account of any Shares which may be issued upon the exercise of the [REDACTED]. The estimated net [REDACTED] are converted into US\$ at the rate of [US\$1=HK\$7.7929], which is set forth on page [52] of this [REDACTED]. No representation is made that the US dollar amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at the rate or at any other rates at all.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to above and on the basis of [REDACTED] Shares (after considering the expected new shares issued upon the Capitalization Issue and the [REDACTED]) in issue, and taking no account of any Shares which may be issued upon the exercise of the Pre-[REDACTED] Share Options and the [REDACTED].
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of [US\$1=HK\$7.7929], which is set forth on page [52] of this [REDACTED]. No representation is made that the US dollar amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at the rate or at any other rates at all.
- (5) No adjustment has been made to reflect any trading results or other transaction of the Group entered into subsequent to December 31, 2016.

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**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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**B. LETTER FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from our Company's reporting accountant, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this [REDACTED].*

[REDACTED]

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**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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**[REDACTED]**

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**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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**[REDACTED]**

## APPENDIX III

## SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

### SUMMARY OF THE CONSTITUTION OF THE COMPANY

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on July 28, 2016 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

#### 1 Memorandum of Association

- (a) The Memorandum was conditionally adopted on [●] and states, inter alia, that the liability of members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.
- (c) The Memorandum is available for inspection at the address specified in Appendix V to this [REDACTED] in the section headed "Appendix V – 2. Documents Available For Inspection".

#### 2 Articles of Association

The Articles were conditionally adopted on [●] and effective on the [REDACTED] and include provisions to the following effect:

##### 2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US\$800,000 divided into 8,000,000,000 shares of US\$0.0001 each.

##### 2.2 *Directors*

###### (a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may by ordinary resolution determine, or if there has not been any such determination or so far as the same shall not make specific provision, as the Directors may determine. Subject to the Companies Law, the Memorandum and the Articles and to any special rights conferred on any shareholders or attaching to any class of shares, any share may be issued on terms that it is, or at the option of the Company or the holder thereof is, liable to be redeemed.

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**APPENDIX III**

**SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND CAYMAN ISLANDS COMPANIES LAW**

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*(b) Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

*(c) Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

*(d) Loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

*(e) Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).



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**APPENDIX III**

**SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
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*(f) Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may subsequently be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or any other proposal whatsoever in which he or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving of any security or indemnity either (a) to the Director or his close associate(s) in respect of money lent by him or any of them or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries, or (b) to a third-party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (ii) any proposal concerning an offer of the shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iii) any proposal concerning any other company in which the Director or his close associate(s) is/are interested only, whether directly or indirectly, an officer or an executive or a shareholder or in which the Director or his close associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his close associates is derived), or of the voting rights;

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- (iv) any proposal or arrangement concerning the benefit of employees of the Company or our subsidiaries including (a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit, or (b) the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to a Director, his close associate(s) and employees of the Company or of any of our subsidiaries and does not provide in respect of any Director or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only if his/their interest in shares or debentures or other securities of the Company.

*(g) Remuneration*

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel, hotel and other costs, reasonably incurred by them in or about the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of the Company may be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or

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by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such ordinary remuneration as the recipient may be entitled to receive as a Director.

### *(h) Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director). The Company may by ordinary resolution appoint another person in his stead. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. Subject to the Articles and the Companies Law, the Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

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- (iii) if, without leave, he is absent from meetings of the Directors for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

*(i) Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

The rights of the Directors to exercise these powers may only be varied by a special resolution.

*(j) Register of Directors and Officers*

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar of Companies of the Cayman Islands within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

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### *(k) Proceedings of the Board*

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Unless otherwise determined, two Directors shall be a quorum. Subject to the Articles, questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

### **2.3 Alteration to constitutional documents**

No alteration or amendment to the Memorandum or Articles may be made except by special resolution.

### **2.4 Variation of rights of existing shares or classes of shares**

The rights attached to the shares or any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting (other than at an adjourned meeting) shall be two persons holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, and at any adjourned meeting of such holders, two holders present in person (or in the case of a corporation, by its duly authorized representative) or by proxy, and that any holder of shares of the class present in person (or in the case of corporation, by its duly authorized representative) or by proxy may demand a poll.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith or by the redemption or purchase of shares of any class by the Company.

### **2.5 Alteration of Capital**

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any

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difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

- (ii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the Directors may determine provided always that where the Company issues shares which do not carry voting rights, the words "non-voting" shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favorable voting rights, much include the words "restricted voting" or "limited voting";
- (iii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Companies Law.

**2.6 Special resolution – majority required**

A "special resolution" is defined in the Articles to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly



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authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed. In contrast, an "ordinary resolution" is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

### **2.7 Voting rights (generally and on a poll) and right to demand a poll**

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member of the Company who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or proxy shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member of the Company is, under the [REDACTED], required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorized in such circumstances to do so and such person may vote on a poll by proxy.

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Save as expressly provided in the Articles or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be counted in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the [REDACTED].

A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least three members of the Company present in person (or in the case of a corporation, by its duly authorized representative) or by proxy and entitled to vote; or
- (iii) any member or members of the Company present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members of the Company having the right to attend and vote at the meetings; or
- (iv) any member or members of the Company present in person (or in the case of a corporation, by its duly authorized representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or
- (v) if required by the [REDACTED], by any Director or Directors who, individually, or collectively, hold proxies in respect of shares representing five per cent or more of the total voting rights at such meeting.

On a poll votes may be given either personally or by proxy.

If a recognized clearing house (or its nominee) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee) which he represents as that recognized clearing house (or its nominee) could exercise if it were an individual member of the Company holding the number and class of shares specified in such authorization.



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**2.8 Annual general meetings**

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorize) shall elapse between the date of one annual general meeting of the Company and that of the next.

**2.9 Accounts and audit**

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law. The Board shall cause books of account to be retained for a minimum of five years from the date they are prepared.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

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**2.10 Notice of meetings and business to be conducted thereat**

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (i) the declaration and sanctioning of dividends;
- (ii) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (iii) the election of Directors whether by rotation or in place of those retiring;
- (iv) the appointment of auditors;
- (v) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;
- (vi) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20 per cent. (or such other percentage as may from time to time be specified in the [REDACTED]) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (vii) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

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Any member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

The Directors may, in their absolute discretion, and without giving any reason therefor, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share to more than four joint holders or a transfer of any share (not being a fully paid up share) on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (i) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (ii) the instrument of transfer is in respect of only one class of shares;
- (iii) the instrument of transfer is properly stamped (in circumstances where stamping is required); and
- (iv) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement published on the Stock Exchange's website or, subject to the [REDACTED], by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

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**2.12 Power of the Company to purchase its own Shares**

Subject to the Companies Law, or any other law and subject to the rights conferred on the holders of any class of shares, the Company shall have the power to purchase or otherwise acquire all or any of its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and provided always that any such purchase or other acquisition shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

**2.13 Power of any subsidiary of the Company to own Shares**

There are no provisions in the Articles relating to the ownership of shares by a subsidiary.

**2.14 Dividends and other methods of distributions**

Subject to the Companies Law and Articles, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors.

No dividend may be declared or payable except out of the profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

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Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment. Unless otherwise directed by the Board, any dividend, interest or other sum payable in cash to a holder of shares may be paid by check or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding to such person and to such address as the holder or joint holders may in writing direct. Every check or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such checks or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such checks for dividend entitlements or dividend warrants by post if such checks or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending checks for dividend entitlements or dividend warrants after the first occasion on which such a check or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets, or any part thereof, and may determine

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that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

**2.15 Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.



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**2.16 Calls on Shares and forfeiture of Shares**

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to the Company at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum or any instalment payable in respect of a call shall not be paid on or before the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited. If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Board thinks fit.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the

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Directors shall in their discretion so require) interest thereon at such rate not exceeding 15 per cent. per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

### 2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or subject to the [REDACTED], by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the [REDACTED]) as the Directors may determine for each inspection.

### 2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting. Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

Any corporation which is a member of the Company may, by resolution of its directors or other governing body or by power of attorney, authorize such person as it thinks fit to act as its representative at any meeting of the Company or of members of any class of shares of the Company and the person so authorized shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company and where a corporation is so represented, it shall be treated as being present at any meeting in person. The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph (d) above.



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**2.19 Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority shareholders in relation to fraud or oppression.

**2.20 Procedure on liquidation**

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

**2.21 Untraceable members**

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if:

- (i) all checks or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member;

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- (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and
- (iv) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the [REDACTED], by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention.

The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

### 2.22 Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

## SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

### 1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

### 2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 July 2016 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

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### 3 Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

- (i) in paying distributions or dividends to members;
- (ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (iii) in redeeming or purchasing its shares as provided in the Companies Law;
- (iv) in writing off:
  - (aa) the preliminary expenses of the company; or
  - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (v) in providing for the premium payable on redemption of any shares or of any debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

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There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

### **4 Dividends and Distributions**

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

### **5 Shareholders' Suits**

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

### **6 Protection of Minorities**

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

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### **7     Disposal of Assets**

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

### **8     Accounting and Auditing Requirements**

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

### **9     Register of Members**

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

### **10   Inspection of Books and Records**

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

### **11   Special Resolutions**

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

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**12 Subsidiary Owning Shares in Parent**

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

**13 Mergers and Consolidations**

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

**14 Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of US corporations.



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### **15 Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer.

The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

### **16 Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

### **17 Liquidation**

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

### **18 Stamp Duty on Transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

### **19 Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
  - (i) on or in respect of the shares, debentures or other obligations of the Company; or
  - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

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The undertaking is for a period of twenty years from August 23, 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

**20 Exchange Control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**21 General**

Travers Thorp Alberga, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.



## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

### A. FURTHER INFORMATION ABOUT OUR GROUP

#### 1. Incorporation of Our Company

We were incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on July 28, 2016. We have established a principal place of business in Hong Kong at Room 2001, 20/F, 118 Connaught Road West, Sai Ying Pun, Hong Kong and were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 9, 2017. The address for service of process on our Company in Hong Kong is the same as the principal place of business in Hong Kong set out above.

As we were incorporated in the Cayman Islands, our operations are subject to the Companies Law and to our constitution comprising our Memorandum and Articles of Association. A summary of certain provisions of our constitution and relevant aspects of the Companies Law is set out in Appendix III to this [REDACTED].

#### 2. Changes in our Share Capital

On July 28, 2016 at incorporation of our Company, the authorized share capital of our Company was US\$100 divided into 10,000 Shares with a par value of US\$0.01 each, of which 1,000 fully paid Shares in our Company were issued and allotted to VideoMobile on July 28, 2016.

The following changes in the share capital of our Company have taken place since its date of incorporation up to the date of this [REDACTED]:

On December 2, 2016, our Company: (a) increased its authorized share capital from US\$100 divided into 10,000 Shares of a par value of US\$0.01 each to US\$800,000 divided into 80,000,000 Shares of a par value of US\$0.01 each; (b) subdivided its authorized share capital and each Share of a par value of US\$0.01 each was subdivided into 100 Shares of a par value of US\$0.0001 each, as a result of which its authorized share capital became 8,000,000,000 Shares of a par value of US\$0.0001 each and the issued Shares then held by VideoMobile became 100,000 Shares of a par value of US\$0.0001 each; (c) designated 60,000,000 Shares as 9,809,530 Series A Preference Shares, 18,962,964 Series B Preference Shares, 12,619,724 Series C Preference Shares and 18,607,782 Series D Preference Shares; and (d) issued to VideoMobile 32,099,429 Shares, 9,809,530 Series A Preference Shares, 18,962,964 Series B Preference Shares, 12,550,280 Series C Preference Shares and 9,771,431 Series D Preference Shares at a consideration of US\$8,319.37 in cash.

On January 1, 2017, pursuant to the Reorganization, all of our Company's issued Shares, Series A Preference Shares, Series B Preference Shares, Series C Preference Shares and Series D Preference Shares were distributed by VideoMobile to its shareholders by way of a distribution in specie. For further information relating to the Reorganization, please refer to the section headed "History, Reorganization and Corporate Structure – Our Reorganization" in this [REDACTED].

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Immediately following completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] has not been exercised and without taking into account any Shares which may be issued upon the exercise of the options which have been granted under the Pre-[REDACTED] Share Option Scheme and may be granted under the Post-[REDACTED] Share Option Scheme), our issued share capital will be US\$[REDACTED] divided into [REDACTED] Shares, all fully paid or credited as fully paid.

Save as disclosed above and in this [REDACTED], there has been no alteration in the share capital of our Company since the date of its incorporation.

### 3. Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the [REDACTED] of our Shares on the Stock Exchange. For information relating to the Reorganization, please refer to the section headed "History, Reorganization and Corporate Structure – Our Reorganization" in this [REDACTED].

### 4. Changes in the Share Capital of our Subsidiaries

Our principal subsidiaries are set out in the Accountants' Report set out in Appendix I to this [REDACTED]. The following alterations in the share capital or registered capital or membership interests (as the case may be) of our subsidiaries have taken place within the two years immediately preceding the date of this [REDACTED]:

#### *(a) Vobile US*

On July 29, 2016, VideoMobile transferred 100 fully paid common shares of Vobile US to our Company at a consideration of US\$1 as part of the Reorganization.

#### *(b) Vobile Japan*

On July 29, 2016, Vobile Singapore, as trustee for VideoMobile, transferred 399 fully paid shares of Vobile Japan to our Company at a consideration of US\$1 as part of the Reorganization.

#### *(c) Vobile Hong Kong*

On July 29, 2016, Vobile BVI transferred 1,000,000 fully paid shares of Vobile Hong Kong to our Company at a consideration of US\$1 as part of the Reorganization.

#### *(d) Vobile Canada*

On July 29, 2016, VideoMobile transferred 100 fully paid ordinary shares of Vobile Canada to our Company at a consideration of US\$1 as part of the Reorganization.

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### 5. Extraordinary General Meeting of our Shareholders Held on [●] 2017

On [●] 2017, among other resolutions, the following resolutions were passed by our Shareholders:

- (a) conditional upon the [REDACTED] of the Shares on the Stock Exchange, the amended and restated Memorandum and Articles of Association were adopted in substitution for and to the exclusion of the existing Memorandum and Articles of Association of our Company;
- (b) conditional on (1) the [REDACTED] of the Stock Exchange granting approval of the [REDACTED] of and permission to deal in the Shares in issue and to be issued as mentioned in this [REDACTED], (2) the [REDACTED] being duly determined among our Company and the [REDACTED] (on behalf of the [REDACTED]), (3) the execution and delivery of the [REDACTED] on or about the [REDACTED]; and (4) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms of the [REDACTED] or otherwise, in each case on or before such dates as may be specified in the [REDACTED]:
  - (i) the conversion of the issued 9,809,530 Series A Preference Shares, 18,962,964 Series B Preference Shares, 12,550,280 Series C Preference Shares and 9,771,431 Series D Preference Shares into 51,094,205 Shares and the re-designation of the unissued 69,444 Series C Preference Shares and 8,836,351 Series D Preference Shares as 8,905,795 Shares on the [REDACTED] was approved;
  - (ii) the [REDACTED] and the [REDACTED] were approved and our Directors were authorized to approve the allotment and issue of the [REDACTED] and any Shares which are required to be issued if the [REDACTED] is exercised;
  - (iii) the rules of the Post-[REDACTED] Share Option Scheme were approved and adopted, and our Directors were authorized to implement the same, to approve any amendments to the same as may be acceptable or not objected by the Stock Exchange and to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Post-[REDACTED] Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Post-[REDACTED] Share Option Scheme;
  - (iv) conditional upon our share premium account being credited as a result of the [REDACTED], we capitalized and applied US\$[REDACTED] of such amount so credited in paying up in full at par [REDACTED] Shares for allotment and issue to holders of the Shares on the register of members at the close of business on [●] (or as our Directors may direct) in the same proportion as their then shareholdings;

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- (v) a general unconditional mandate was granted to our Directors to allot, issue and deal with, otherwise than by way of rights or pursuant to the exercise of any options which may be granted under any share option scheme or by virtue of scrip dividend schemes or similar arrangements in accordance with our Articles, Shares with an aggregate nominal value not exceeding the sum of:

- (1) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] and any options which have been granted under the Pre-[REDACTED] Share Option Scheme and may be granted under the Post-[REDACTED] Share Option Scheme); and

- (2) the aggregate nominal amount of the share capital of our Company repurchased under the authority referred to in sub-paragraph (vi) below,

such mandate to remain in effect until the earliest of: (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual meeting of our Company is required to be held; or (iii) the time when such mandate is revoked, varied or renewed by an ordinary resolution of our Shareholders in a general meeting;

- (vi) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which our securities may be [REDACTED] and which is recognized by the SFC and the Stock Exchange, such number of Shares that will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] and any options which have been granted under the Pre-[REDACTED] Share Option Scheme and may be granted under the Post-[REDACTED] Share Option Scheme), such mandate to remain in effect until the earliest of: (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual meeting of our Company is required to be held; or (iii) the time when such mandate is revoked, varied or renewed by an ordinary resolution of our Shareholders in a general meeting;

- (c) the form and substance of each of the service agreements made between our executive Directors and us, and the form and substance of each of the appointment letters made between each of our non-executive Directors and independent non-executive Directors with us were approved.

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### 6. Repurchases of our own Securities

#### (a) *Provisions of the [REDACTED]*

The [REDACTED] permit companies with a primary [REDACTED] on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

##### (i) *Shareholders' approval*

All proposed repurchases of Shares (which must be fully paid up) by a company with a primary [REDACTED] on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on [●], a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorizing any repurchase by us of Shares on the Stock Exchange or on any other stock exchange on which the securities may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the [REDACTED], such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by our Articles of Association or any other applicable laws to be held or when revoked or varied by an ordinary resolution of our Shareholders in a general meeting, whichever first occurs.

##### (ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the laws of the Cayman Islands. A [REDACTED] company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

##### (iii) *Trading restrictions*

The total number of Shares which we may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the [REDACTED]. We may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Stock Exchange. We are also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of [REDACTED] Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. We are required to procure that the broker appointed by us to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the [REDACTED], an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

##### (iv) *Status of repurchased Shares*

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically [REDACTED] and the certificates for those Shares must be cancelled and destroyed.

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### *(v) Suspension of repurchase*

Pursuant to the [REDACTED], we may not make any repurchases of Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, under the requirements of the [REDACTED] in force as of the date hereof, during the period of one month immediately preceding the earlier of:

- (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the [REDACTED]) for the approval of our results for any year, half year, quarterly or any other interim period (whether or not required under the [REDACTED]); and
- (b) the deadline for us to publish an announcement of our results for any year or half-year under the [REDACTED], or quarterly or any other interim period (whether or not required under the [REDACTED]), and in each case ending on the date of the results announcement, we may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional.

### *(vi) Procedural and reporting requirements*

As required by the [REDACTED], repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which we may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

### *(vii) Connected parties*

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a connected person (as defined in the [REDACTED]) and a connected person shall not knowingly sell its securities to the company on the Stock Exchange.

### *(b) Reasons for repurchases*

Our Directors believe that it is in the best interests of us and our Shareholders for our Directors to have general authority from the Shareholders to enable our Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

### *(c) Funding of repurchases*

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles, the [REDACTED] and the applicable laws and regulations of the Cayman Islands.



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On the basis of the current financial position as disclosed in this [REDACTED] and taking into account the current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this [REDACTED]. Our Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of our Directors are from time to time appropriate for us.

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately following the completion of the [REDACTED] and the [REDACTED] assuming that the [REDACTED] is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of options which have been granted under the Pre-[REDACTED] Share Option Scheme and may be granted under the Post-[REDACTED] Share Option Scheme, could accordingly result in [REDACTED] Shares being repurchased by us during the period prior to (1) the conclusion of our next annual general meeting; (2) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or (3) the revocation or variation of the purchase mandate by an ordinary resolution of the Shareholders in a general meeting, whichever occurs first.

### *(d) General*

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the [REDACTED] and the applicable laws and regulations of the Cayman Islands. We have not repurchased any Shares since our incorporation.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares than in issue could only be implemented with the approval of the Stock Exchange to waive the [REDACTED] requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

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### B. FURTHER INFORMATION ABOUT OUR BUSINESS

#### 1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this [REDACTED] that are or may be material:

- (i) the stock purchase agreement dated July 28, 2016 entered into between VideoMobile and our Company pursuant to which our Company issued to VideoMobile 1,000 shares;
- (ii) the share transfer agreement dated July 29, 2016 entered into among our Company, Vobile Singapore and Vobile Japan in relation to the transfer of 399 shares of Vobile Japan;
- (iii) the share transfer agreement dated July 29, 2016 entered into among our Company, VideoMobile BVI and Vobile Hong Kong in relation to the transfer of all of the shares of Vobile Hong Kong;
- (iv) the share transfer agreement dated July 29, 2016 entered into among our Company, VideoMobile and Vobile Canada in relation to the transfer of all of the shares of Vobile Canada;
- (v) the share transfer agreement dated July 29, 2016 entered into among our Company, VideoMobile and Vobile US in relation to the transfer of all of the shares of Vobile US;
- (vi) the stock purchase agreement dated December 2, 2016 entered into between VideoMobile and our Company pursuant to which our Company issued to VideoMobile 32,099,429 Shares, 9,809,530 Series A Preference Shares, 18,962,964 Series B Preference Shares, 12,550,280 Series C Preference Shares and 9,771,431 Series D Preference Shares;
- (vii) the spinoff agreement dated December 3, 2016 entered into between VideoMobile and our Company in relation to the separation of our Company from VideoMobile;
- (viii) the transition services agreement dated December 3, 2016 entered into between VideoMobile and our Company in relation to the provision of software support and related implementation services;
- (ix) the intellectual property agreement dated December 3, 2016 entered into between VideoMobile and our Company in relation to the transfer of intellectual property;
- (x) the first amendment to the spinoff agreement dated December 22, 2016 entered into between VideoMobile and our Company;
- (xi) the first amendment to the intellectual property agreement dated April 25, 2017 entered into between VideoMobile and our Company; and
- (xii) the [REDACTED].



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### 2. Intellectual Property Rights

As of the Latest Practicable Date, we have registered or applied for the registration of the following intellectual property rights which are material to our business.

#### (a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:



No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
1.	VDDDB	3573274	Vobile US	009	US	February 10, 2009	February 10, 2019
2.	VDDDB	3774173	Vobile US	035, 042	US	April 13, 2010	April 13, 2020
3.	VDNA	3763857	Vobile US	009	US	March 23, 2010	March 23, 2020
4.	VDNA	3756938	Vobile US	042	US	March 9, 2010	March 9, 2020
5.	Vobile	3354129	Vobile US	009	US	December 11, 2007	December 11, 2017
6.	Vobile	3695405	Vobile US	035, 042	US	October 13, 2009	October 13, 2019
7.	Vobile	5187979	Vobile US	009, 025, 035, 038, 041, 042, 045	US	April 18, 2017	April 18, 2027
8.	MediaDNA	3766506	Vobile US	009	US	March 30, 2010	March 30, 2020
9.	MediaDNA	3765214	Vobile US	042	US	March 23, 2010	March 23, 2020
10.	VideoTracker	3819875	Vobile US	009	US	July 13, 2010	July 13, 2020
11.	VideoTracker	3738408	Vobile US	042	US	January 12, 2010	January 12, 2020
12.	MediaWise	3942626	Vobile US	009	US	April 12, 2011	April 12, 2021
13.	MediaWise	3619039	Vobile US	035, 042	US	May 12, 2009	May 12, 2019
14.	RECLAIM	4737782	Vobile US	009, 042	US	May 19, 2015	May 19, 2025
15.	VOBILE MSYNC	4654276	Vobile US	009, 035, 042	US	December 9, 2014	December 9, 2024
16.	AudioTracker	3750886	Vobile US	009	US	February 16, 2010	February 16, 2020
17.	AudioTracker	3747931	Vobile US	042	US	February 9, 2010	February 9, 2020
18.	MediaTracker	3753457	Vobile US	009	US	February 23, 2010	February 23, 2020
19.	MediaTracker	3656148	Vobile US	042	US	July 14, 2009	July 14, 2019
20.	Rentailer	4899709	Vobile US	042	US	February 9, 2016	February 9, 2026
21.	PAY PER TRANSACTION	1835804	Vobile US	042	US	May 10, 1994	May 10, 2024
22.	PPT	1527442	Vobile US	041	US	February 28, 1989	February 28, 2019

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No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
23.	RPM	2117294	Vobile US	035	US	December 2, 1997	December 2, 2017
24.	FORMOVIES	2478846	Vobile US	035	US	August 21, 2001	August 21, 2021
25.	REMATCH	4780082	Vobile US	009, 042	US	July 28, 2015	July 28, 2025
26.	Vobile Cloud	4338693	Vobile US	009	US	May 21, 2013	May 21, 2023
27.	Powering The Internet Video Economy	3691412	Vobile US	042	US	October 6, 2009	October 6, 2019
28.	BLAYZE	4939063	Vobile US	009, 042	US	April 19, 2016	April 19, 2026

As of the Latest Practicable Date, we have applied for the registration of the following trademarks which are material to our business:

No.	Trademark	Applicant	Application Number	Class	Place of Application	Application Date
1.	Insight	Vobile US	86530298	042	US	February 10, 2015
2.	Pay Per Transaction	Vobile US	87302353	042	US	January 14, 2017
3.	PPT	Vobile US	87302365	042	US	January 14, 2017
4.		Vobile US	87269680	009, 042	US	December 15, 2016
5.		Vobile US	304095577	009, 042	Hong Kong	March 30, 2017

### (b) Patents

As of the Latest Practicable Date, we have registered the following patents which are material to our business:

No.	Patent	Patent Number	Registered Owner	Place of Registration	Issue Date	Validity Period	Patent Type
1.	Systems and Methods of Fingerprinting and Identifying Digital Versatile Disc	8,689,337	Vobile US	US	April 1, 2014	February 27, 2007 to February 27, 2027	Utility
2.	Method and System for Fingerprinting Digital Video Object Based on Multiresolution	8,009,861	Vobile US	US	August 30, 2011	March 2, 2007 to March 2, 2027	Utility
3.	Method and System for Fingerprinting Digital Video Object Based on Multiresolution	8,204,314	Vobile US	US	June 19, 2012	December 3, 2007 to December 3, 2027	Utility
4.	Systems and Methods for Auto Content Recognition	8,793,274	Vobile US	US	July 29, 2014	August 8, 2011 to August 8, 2031	Utility

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No.	Patent	Patent Number	Registered Owner	Place of Registration	Issue Date	Validity Period	Patent Type
5.	Methods and Systems for Monitoring and Tracking Videos on the Internet	8,131,708	Vobile US	US	March 6, 2012	October 30, 2008 to October 30, 2028	Utility
6.	Methods and Systems for Monitoring and Tracking Videos on the Internet	8,615,506	Vobile US	US	December 24, 2013	January 27, 2012 to January 27, 2032	Utility
7.	System and methods of fingerprinting and identifying media contents	9,367,744	Vobile US	US	June 14, 2016	January 27, 2014 to January 27, 2034	Utility
8.	System and Method for Providing content-aware persistent Ads	9,414,128	Vobile US	US	August 9, 2016	February 16, 2014 to February 16, 2034	Utility
9.	System and Method for auto content recognition	9,479,845	Vobile US	US	October 25, 2016	May 8, 2014 to May 8, 2034	Utility
10.	METHOD AND SYSTEM FOR FINGERPRINTING DIGITAL VIDEO OBJECT BASED ON MULTIREOLUTION, MULTIRATE SPATIAL AND TEMPORAL SIGNATURES (多重解像度・複数のフレームレートの空間及び時間領域特徴に基づきデジタルビデオオブジェクトのフィンガープリンティング方法とシステム)	4932903	Vobile Inc.	Japan	February 24, 2012	April 5, 2007 to April 5, 2027	Utility

As of the Latest Practicable Date, we have applied for the registration of the following patents which are material to our business:

No.	Patent	Application Number	Applicant	Place of Application	Date of Application	Patent Type
1.	Method of On-Line Media Scoring	14/485,969	Vobile US	US	September 15, 2014	Utility
2.	System and Method for Interactive Second Screen	14/481,092	Vobile US	US	September 9, 2014	Utility
3.	VIDEO DNA (VDNA) METHOD AND SYSTEM FOR MULTI-DIMENSIONAL	14/722,653	Vobile US	US	May 27, 2015	Utility
4.	VIDEO DNA (VDNA) METHOD AND SYSTEM FOR MULTI-DIMENSIONAL CONTENT CATCHING	14/722,694	Vobile US	US	May 27, 2015	Utility
5.	Systems and Methods of Fingerprinting and identifying real time broadcasting signals	15/146,119	Vobile US	US	May 4, 2016	Utility

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### (c) *Domain Names*

As of the Latest Practicable Date, we have registered the following domain names which are material to our business:

No.	Domain Name	Registered Owner	Expiry Date
1.	vobileinc.com . . . . .	Vobile US	June 30, 2018
2.	vobile.hk . . . . .	Vobile US	October 6, 2018
3.	vobile.jp . . . . .	Vobile US	July 6, 2017
4.	vobilegroup.com . . . . .	Vobile US	May 26, 2019
5.	vobile.net . . . . .	Vobile US	June 22, 2018
6.	copyright-notice.com . . . . .	Vobile US	August 12, 2018
7.	formovies.com . . . . .	Vobile US	September 17, 2017
8.	rentailer.com . . . . .	Vobile US	February 27, 2018

### C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

#### 1. Interests and Short Positions of our Directors and the Chief Executive of our Company in the Shares, Underlying Shares and Debentures of our Company and its Associated Corporations

Immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account the Shares which may be issued pursuant to the exercise of the [REDACTED] or any options which have been granted under the Pre-[REDACTED] Share Option Scheme or may be granted under the Post-[REDACTED] Share Option Scheme), the interests or short positions of our Directors or chief executives in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of [REDACTED] Issuers as set out in Appendix 10 to the [REDACTED] ("Model Code"), once the Shares are [REDACTED] will be as follows:

#### (a) *Interest in Shares or underlying Shares of our Company and its associated corporations*

Name	Name of Group member or associated corporation	Nature of Interest	Number of securities	Approximate percentage of shareholding
Yangbin Bernard WANG <sup>(2)</sup> . . . . .	Company	Beneficial owner; trustee of a trust; beneficiary of a trust	[REDACTED] Shares (L)	[REDACTED]
Michael Paul WITTE <sup>(3)</sup> . . . . .	Company	Beneficial owner	[REDACTED] Shares (L)	[REDACTED]
ZHU Xianming <sup>(4)</sup> . . . . .	Company	Beneficial owner	[REDACTED] Shares (L)	[REDACTED]
Vernon Edward ALTMAN <sup>(5)</sup> . . . . .	Company	Beneficial owner	[REDACTED] Shares (L)	[REDACTED]
J David WARGO <sup>(6)</sup> . . . . .	Company	Beneficial owner	[REDACTED] Shares (L)	[REDACTED]

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Name	Name of Group member or associated corporation	Nature of Interest	Number of securities	Approximate percentage of shareholding
WONG Wai Kwan <sup>(7)</sup> . . . . .	Company	Beneficial owner	[REDACTED] Shares (L)	[REDACTED]
Mitsuru OHKI <sup>(8)</sup> . . . . .	Vobile Japan	Beneficial owner	1 share of Vobile Japan (L)	0.25

*Notes:*

- (1) The letter "L" denotes the person's long position in the shares of our Company or the relevant associated corporation.
- (2) Mr. Wang is a settlor, a trustee and a beneficiary of the JYW Trust. Mr. Wang and the JYW Trust are the settlors and Mr. Wang is the trustee of the YBW Trust. Mr. Wang will be interested in [REDACTED] Shares held by him in his capacity as trustee of the JYW Trust, [REDACTED] Shares in his capacity as trustee of the YBW Trust and [REDACTED] Shares which may be issued pursuant to the exercise of options granted under the Pre-[REDACTED] Share Option Scheme.
- (3) Mr. Witte will be interested in [REDACTED] Shares beneficially owned by him and [REDACTED] Shares which may be issued pursuant to the exercise of options granted under the Pre-[REDACTED] Share Option Scheme.
- (4) Mr. Zhu will be interested in [REDACTED] Shares beneficially owned by him and [REDACTED] Shares which may be issued pursuant to the exercise of options granted under the Pre-[REDACTED] Share Option Scheme.
- (5) Mr. Altman will be interested in [REDACTED] Shares beneficially owned by him and held by him in his personal capacity and [REDACTED] Shares held by him in his capacity as trustee of Altman Family Trust UDT dated January 28, 1998.
- (6) Mr. Wargo will be interested in [REDACTED] Shares beneficially owned by him and is deemed to be interested in [REDACTED] Shares held by VideoRec LLC, a corporation controlled by him.
- (7) Mr. Wong Wai Kwan will be interested in [REDACTED] Shares which may be issued pursuant to the exercise of options granted under the Pre-[REDACTED] Share Option Scheme.
- (8) Mr. Mitsuru Ohki is a director of Vobile Japan.

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***(b) Interests and short positions of the Substantial Shareholders in the Shares and underlying shares of our Company***

Save as disclosed in the section headed "Substantial Shareholders" in this [REDACTED], our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has any an interest or short position in the Shares and underlying Shares of our Company which, once the Shares are [REDACTED], would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

***(c) Interests of the substantial shareholder of any member of our Group (other than our Company)***

So far as our Directors are aware, immediately following the completion of the [REDACTED], no persons will, directly or indirectly, be interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any members of our Group (other than us).

### **2. Particulars of Service Contracts**

Our Company has entered into a service contract with each of our executive Directors and a letter of appointment with each of our non-executive Directors and our independent non-executive Directors on [●], 2017. Each of the service contracts and the letters of appointment is for an initial fixed term of three years commencing from the [REDACTED].

Save as disclosed above, none of our Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

During the years ended December 31, 2014, 2015 and 2016, the aggregate of the remuneration and benefits in kind payable to our Directors was approximately US\$690,000, US\$873,000 and US\$920,000, respectively. Details of our Directors' remuneration are also set out in Note 7 to Section II of the Accountants' Report set out in Appendix I to this [REDACTED]. Save as disclosed in this [REDACTED], no other emoluments have been paid or are payable, in respect of the years ended December 31, 2014, 2015 and 2016 by us to our Directors.

None of our Directors or any past Directors of any members of our Group has been paid any sum of money for the years ended December 31, 2014, 2015 and 2016 (i) as an inducement to join or upon joining us or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the years ended December 31, 2014, 2015 and 2016.

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None of our Directors has been or is interested in the promotion of, or in the property proposed to be acquired by us, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

### 3. Fees or Commissions Received

Save as disclosed in this [REDACTED], none of the Directors or any of the persons whose names are listed under the section headed “– Other Information – Consent of Experts” below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this [REDACTED].

### 4. Disclaimers

Save as disclosed in this [REDACTED]:

- (a) none of our Directors or chief executives has any interests and short positions in the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code to be notified to us and the Stock Exchange, in each case once our Shares are [REDACTED] on the Stock Exchange;
- (b) so far as is known to any of our Directors or chief executives, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (c) none of our Directors nor any of the parties listed in the section headed “– Other Information – Qualification of Experts” of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this [REDACTED], been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;
- (d) save as disclosed in this [REDACTED] or in connection with the [REDACTED], none of our Directors nor any of the parties listed in the section headed “– Other Information – Qualification of Experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this [REDACTED] which is significant in relation to the business of our Group;



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- (e) save in connection with the [REDACTED], none of the parties listed in the section headed “– Other Information – Qualification of experts” of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (f) none of our Directors or their respective associates (as defined under the [REDACTED]) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest revenue payment collection channels.

### D. OTHER INFORMATION

#### 1. Post-[REDACTED] Share Option Scheme

##### *Summary of terms*

The following is a summary of all the principal terms of the Post-[REDACTED] Share Option Scheme conditionally adopted by a resolution passed by our Shareholders on [●], 2017.

##### *(a) Purpose of the Post-[REDACTED] Share Option Scheme*

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

The Post-[REDACTED] Share Option Scheme provides that our Company may specify a minimum holding period and performance conditions which must be achieved before options can be exercised by the option holders. In addition, the basis for the determination of the exercise price of the options has been set out in the Post-[REDACTED] Share Option Scheme. The Board considers that the aforesaid criteria and the terms of the Post-[REDACTED] Share Option Scheme will serve to preserve the value of our Company and encourage option holders to acquire proprietary interests in our Company.

##### *(b) Administration of the Post-[REDACTED] Share Option Scheme*

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



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*(c) Who may join*

The Board may offer any employee (whether full-time or part-time) or director of, or consultant or adviser of our Group (the “**Eligible Person**”) options to subscribe for Shares at a price calculated in accordance with paragraph (g) below and subject to the other terms of the Post-[REDACTED] Share Option Scheme summarized below. An offer of an option must be accepted in writing by the Eligible Person within two months of the offer being made. Upon acceptance of the option, the grantee shall pay HK\$1.00 (or its equivalent in US dollars) or such amount as set by the Board to our Company as consideration for the grant.

*(d) Maximum number of Shares*

- (i) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Post-[REDACTED] Share Option Scheme and any other schemes of our Company shall not exceed such number of Shares as shall represent 30% of the issued share capital of our Company from time to time.
- (ii) Subject always to the overall limit specified in paragraph (d)(i) above:
  - (1) the Board may grant options under the Post-[REDACTED] Share Option Scheme, generally and without further authority, in respect of such number of Shares which may be issued upon exercise of all options to be granted under the Post-[REDACTED] Share Option Scheme and any other schemes in aggregate not exceeding 10% of the issued share capital of our Company as at the date on which dealings in the Shares commence on the Main Board of the Stock Exchange (the “**Scheme Mandate Limit**”) (being [REDACTED] Shares). For the avoidance of doubt, options lapsed in accordance with the Post-[REDACTED] Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit;
  - (2) the Scheme Mandate Limit may be renewed by obtaining approval of the Shareholders in a general meeting, provided that such renewed limit shall not exceed 10% of the Shares in issue as at the date of approval of such limit (the “**Refreshed Limit**”). Options previously granted under the Post-[REDACTED] Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the Post-[REDACTED] Share Option Scheme or exercised options) shall not be counted for the purpose of calculating the Refreshed Limit. Our Company shall send a circular to the Shareholders in accordance with and containing such information as required under Rule 17.02(2) of the [REDACTED]; and
  - (3) the Board may grant options in excess of the Scheme Mandate Limit to specifically identified Eligible Persons by first obtaining approval of the Shareholders in a general meeting to grant the options in the amounts and to the Eligible Persons specified in the resolution. Our Company shall send a circular to the Shareholders in accordance with and containing such information as required under Rule 17.02(2) of the [REDACTED].

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- (iii) Unless approved by the Shareholders in a general meeting in the manner as set out in paragraph (d)(iv) below (with such Eligible Person and his close associates (or his associates if the Eligible Person is a connected person) abstaining from voting), the total number of Shares issued and to be issued upon the exercise of the options granted to each Eligible Person (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the relevant class of securities of our Company in issue.
- (iv) Further options may be granted to an Eligible Person, which, if exercised, would result in such Eligible Person becoming entitled to subscribe for Shares in excess of the limit stated in paragraph (c)(iii) above, by obtaining approval of the Shareholders in general meeting with such Eligible Person and his close associate(s) (or his associates if the Eligible Person is a connected person) abstaining from voting provided that the terms and number of Shares subject to the options to be granted to such Eligible Person are fixed before the relevant approval of the Shareholders is obtained, and the date of the meeting of the Board proposing such further grant shall be deemed to be the date, which must be a business day, of the written notice from our Company granting option to Eligible Persons (the "**Date of Grant**") for the purpose of determining the exercise price of such options. Our Company shall send a circular to the Shareholders in accordance with and containing such information as required under Rules 17.02(2) and 17.03(4) of the [REDACTED].
- (v) Unless otherwise provided by amendment of the Post-[REDACTED] Share Option Scheme approved by the Shareholders, the maximum number of Post-[REDACTED] ISOs (as defined below) that may be granted is the Scheme Mandate Limit on the date of the original approval of the Post-[REDACTED] Share Option Scheme by the Shareholders.

### *(e) Performance target*

The Post-[REDACTED] Share Option Scheme does not set out performance targets which must be achieved before the options may be exercised. However, on the grant of options by the Board, the Board may specify, as part of the terms and conditions of such option, the performance condition which must be satisfied before the option can be exercised.

### *(f) Types of options for employees in the United States*

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

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### *(g) Exercise price*

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

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

### *(h) Rights are personal to grantee*

An option which has been duly granted and remains outstanding and exercisable in accordance with the Post-[REDACTED] Share Option Scheme and has neither lapsed nor been cancelled or exercised in full and, has been exercised in part as permitted by the terms of such option, includes that part of the option that has not been exercised and which has neither lapsed nor been cancelled (the "**Subsisting Option**") and an offer to grant an option shall be personal to the Eligible Person to whom it is granted or made and shall not be transferrable and assignable. No Eligible Person shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any option held by him/her or any offer relating to the grant of an option made to him/her.

### *(i) Options granted to Directors or Substantial Shareholders*

- (i) Any options granted to an Eligible Person who is a Director, chief executive or substantial shareholder of our Company or any of their respective associates shall be approved by the independent non-executive Directors and, in any event, if the proposed grantee is an independent non-executive Director, the vote of such grantee shall not be counted for the purpose of approving such grant.
- (ii) Any options granted to an Eligible Person who is a Substantial Shareholder, or independent non-executive Director, or their respective associates, which will result in the total number of Shares issued and to be issued upon exercise of all the options granted and to be granted (including options whether exercised, cancelled or still outstanding) to such person in the period of 12 months up to and including the date of such grant:
  - (1) representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of the issued share capital of our Company; and
  - (2) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000 (or such other amount as may from time to time be specified by the Stock Exchange),

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such further grant of options must be approved by our Shareholders in a general meeting by poll convened and held in accordance with the Articles and the [REDACTED]. Our Company must dispatch a circular to the Shareholders containing such information as required under Rule 17.04(3) of the [REDACTED]. The Eligible Person, his associates and all core connected persons of our Company shall abstain from voting in favor at such general meeting.

*(j) Grant of option*

- (i) Each grantee of options will receive an option certificate sealed by our Company specifying the number of options granted, the exercise period, the exercise price and the number of Shares that may be granted under such options and specifying the applicable terms and conditions relating to such options. These terms and conditions may include provisions as to the performance conditions which must be satisfied before the option can be exercised, the minimum period for which an option must be held before it can be exercised, vesting conditions (if any), lapse conditions, whether such option is a Post-[REDACTED] ISO or Post-[REDACTED] NSO (if applicable) and such other provisions as the Board may determine provided such provisions are not inconsistent with the relevant requirements of the Post-[REDACTED] Share Option Scheme or the [REDACTED].
- (ii) The Board shall not grant any option under the Post-[REDACTED] Share Option Scheme after inside information has come to its knowledge until it has announced the information. In particular, it may not grant any option during the period commencing one month immediately before the earlier of (1) the date of the Board meeting for the approval of our Company's interim or annual results, quarterly or any other interim period (whether or not required under the [REDACTED]); and (2) the deadline for our Company to publish its interim or annual results announcement under the [REDACTED] or quarterly or any other interim period (whether or not required under the [REDACTED]), and ending on the date of the results announcement.
- (iii) No Post-[REDACTED] ISO may be granted to any Eligible Person who, at the time the option is granted, owns (or is deemed to own under the Code) Shares possessing more than 10% of the total combined voting power of all classes of shares of our Company or a subsidiary (as defined in the Code), unless the exercise price of the option is at least 110% of the fair market value of the Shares subject to the option on the date of grant and such option is not exercisable until five years from the date of grant of such option.
- (iv) No Post-[REDACTED] ISO may be granted under the Post-[REDACTED] Share Option Scheme more than ten years after the earlier of the adoption of the Post-[REDACTED] Share Option Scheme by our Company or the approval of the Post-[REDACTED] Share Option Scheme by the Shareholders. The Post-[REDACTED] Share Option Scheme must be approved by the Shareholders within one year before or after the Post-[REDACTED] Share Option Scheme is adopted in order for Post-[REDACTED] ISOs to be able to be granted.

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### *(k) Time of exercise of an option*

An option may be exercised in whole or in part by the option holder in accordance with the terms of the Post-[REDACTED] Share Option Scheme at any time during the “**Exercise Period**”, that is, the period to be notified by the Board to each option holder upon the grant of options, such period not to exceed ten years from the date of grant of the relevant option.

### *(l) Cancellation of options*

Any cancellation of any Subsisting Option shall be conditional on the approval by the Board (including the approval of independent non-executive Directors) and the option holder(s) concerned.

In the event that the Board elects to cancel Subsisting Options and issue new options to the same option holder, the issue of such new options shall be made with available unissued options (excluding the cancelled options) within the Scheme Mandate Limit or the Refreshed Limit, as the case may be.

To the extent a reduction of simultaneously granted options is necessary to meet the US\$100,000 limit prescribed by the Code, the Board may, to the extent permitted by law and the [REDACTED], designate which Shares are to be treated as Shares acquired pursuant to the exercise of a Post-[REDACTED] ISO.

### *(m) Voting and dividend rights*

No voting rights shall be exercisable and no dividends shall be payable in relation to options that have not been exercised. A Share issued upon the exercise of an option shall not carry voting rights until the registration of the grantee (or any other person) as the holder thereof in the register of members of our Company.

### *(n) Effects of alterations in the capital structure of our Company*

In the event of a capitalization issue, rights issue, consolidation, sub-division or reduction of the share capital of our Company in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made in relation to any Subsisting Option to (i) the number of Shares subject to the unexercised option; and/or (ii) the exercise price; and/or (iii) in the event of a consolidation and subdivision of the share capital of our Company, the maximum number of Shares referred to in paragraph (d) above. Any such corresponding alterations to the Subsisting Option shall be certified by our Company’s auditors or independent financial adviser as being fair and reasonable, and shall give an option holder the same proportion of the issued share capital of our Company as that to which he/she was previously entitled but that no such alteration shall have the effect of enabling any Share to be issued at less than its nominal value or which would result in the aggregate amount payable on the exercise of any option in full being increased and no such alternations shall be made to the advantage of the Eligible Persons except with the prior sanction of a resolution of the Shareholders in a general meeting.

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### *(o) Rights on a takeover*

If, during the Exercise Period, an offer is made to acquire all or part of the issued Shares (other than those held by the offeror and persons acting in concert with it) and such offer becomes or is declared unconditional, our Company shall give written notice to all persons then holding Subsisting Options and each such option holder may, by notice in writing to our Company, within 14 days of the date of such notice, exercise his/her option in full or to the extent specified in such notice.

### *(p) Rights on schemes of compromise or arrangement*

If, during the Exercise Period, an application is made to the court (otherwise than where our Company is being voluntarily wound up) in connection with a proposed compromise or arrangement between our Company and our creditors (or any class of them) or between our Company and our members (or any class of them), an option holder may by notice in writing to our Company, within a period of 21 days of the date of such application, exercise his/her option in full or to the extent specified in such notice.

### *(q) Rights on a voluntary winding up*

In the event of a notice of a meeting being convened to consider a resolution for the voluntary winding-up of our Company during the Exercise Period, our Company shall forthwith upon notice of such meeting being given, give written notice to option holders of the convening of such meeting and an option holder may thereupon by notice in writing to our Company exercise any Subsisting Option at any time not later than five business days prior to the proposed general meeting of our Company to its full extent or to the extent specified in such notice.

### *(r) Ranking of Shares*

Shares issued or transferred on the exercise of an option shall rank equally in all respects with the other Shares of the same class in issue at the date of allotment (including, without limitation, as to voting, dividend and transfer rights and rights arising on the liquidation of our Company) and will be subject to all the provisions of the Articles. They shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

### *(s) Duration of the Post-[REDACTED] Share Option Scheme*

The Post-[REDACTED] Share Option Scheme will remain in force for a period to be notified by the Board, such period shall not exceed the period of ten years from the date on which it is adopted by resolution of the Shareholders in a general meeting.

### *(t) Amendment of the Post-[REDACTED] Share Option Scheme*

- (i) Subject to paragraph (ii) below, the Board may amend any of the provisions of the Post-[REDACTED] Share Option Scheme or withdraw or otherwise terminate the Post-[REDACTED] Share Option Scheme at any time but no alterations shall be made to the advantage of any option holder unless approved by the Shareholders in a general meeting. In addition, no



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alteration shall operate to affect adversely any rights which have accrued to any option holder at that date without the written consent of the option holder. For the purposes of this paragraph (i), the amendment by the Board of a Post-[REDACTED] ISO which causes the option to cease to be a Post-[REDACTED] ISO shall be treated as adversely affecting the rights of the option holder.

(ii) Our Company in a general meeting must approve in advance by ordinary resolution any proposed change which relates to the following:

- the persons to or for whom Shares may be provided under the Post-[REDACTED] Share Option Scheme (including changes to the class of employees of the Group eligible to receive Post-[REDACTED] ISOs);
- the authority of the Board in relation to any alteration to the terms of the Post-[REDACTED] Share Option Scheme;
- the limitations on the number of Shares which may be issued under the Post-[REDACTED] Share Option Scheme (including increases in the aggregate number of Shares that may be issued as Post-[REDACTED] ISOs);
- the individual limit for each option holder under the Post-[REDACTED] Share Option Scheme;
- the determination of the exercise price of the option;
- any rights attaching to the options and the Shares;
- adjustment to the number of Shares subject to granted options;
- the rights of option holders in the event of a capitalization issue, rights issue, sub-division or consolidation of shares or reduction or any other variation of share capital of our Company;
- the provisions under the Post-[REDACTED] Share Option Scheme regarding the amendment of the Post-[REDACTED] Share Option Scheme;
- any matters set out in Rule 17.03 of the [REDACTED] as amended from time to time; and
- any alterations to the Post-[REDACTED] Share Option Scheme which are of a material nature.

(iii) Except as described in paragraph (ii) above, the Board need not obtain the approval of the Shareholders in a general meeting for any minor changes:

- to benefit the administration of the Post-[REDACTED] Share Option Scheme;
- to comply with or take account of the provisions of any proposed or existing legislation or the [REDACTED];
- to take account of any changes to the legislation or the [REDACTED]; or

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- to obtain or maintain favorable tax, exchange control or regulatory treatment of our Company or any of our subsidiaries or any present or future option holder (including, for example, to designate or set aside a portion of the Scheme Mandate Limit for option holders in foreign jurisdictions which allows such option holders to obtain favorable tax treatment, such as for an option to qualify as an enterprise management incentive option under Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 of the United Kingdom).
- (iv) Any alterations to the terms and conditions of the Post-[REDACTED] Share Option Scheme which are of a material nature shall be subject to the approval of the Shareholders in a general meeting save where the alterations take effect automatically under the existing terms of the Post-[REDACTED] Share Option Scheme.
- (v) Notwithstanding anything to the contrary herein or unless otherwise approved by the Stock Exchange, the amended terms of the Post-[REDACTED] Share Option Scheme or the Subsisting Options shall comply with the relevant requirements of the [REDACTED].

### *(u) Lapse of options*

An option shall lapse forthwith (to the extent not already exercised) on the earliest of expiry of the Exercise Period and:

- (i) the first anniversary of the death of the option holder;
- (ii) in the case of an option holder who is an employee or a director of our Group, upon the option holder ceasing to be an employee or a director of our Group by reason of dismissal from employment or termination of office; in the case of an option holder who is a consultant or adviser of our Group, by reason of termination by our Company or any of our subsidiaries of the contract for provision of such services, in each case on the ground of:
  - the option holder's misconduct;
  - the option holder committing an act of bankruptcy;
  - the option holder becoming insolvent or making any arrangements or composition with his/her creditors generally; or
  - the option holder being convicted of any criminal offense involving his/her integrity or honesty;
- (iii) three months after the option holder ceases to be an employee of our Group by reason of:
  - his/her retirement on or after attaining normal retirement age;
  - his/her resignation;
  - ill health or disability;



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- the company by which he/she is employed ceasing to be a subsidiary of our Company;
  - the expiry of his/her contract of employment with our Group; or
  - termination of his/her employment with our Group for reasons other than the reasons specified in paragraphs (i) and (ii) above;
- (iv) three months after the option holder ceases to be a director for reasons other than the reasons specified in paragraphs (ii) and (iii) above, provided that the Board may, at the time of grant or at some subsequent date, alter or eliminate the three-month period mentioned above;
- (v) in the case of any takeovers, schemes of compromise or arrangement and liquidation, upon the expiry of the periods of notice as specified in the Post-[REDACTED] Share Option Scheme and on commencement of the winding up of our Company; provided that in the case of a scheme of compromise or arrangement, such proposed compromise or arrangement becomes effective;
- (vi) save as otherwise provided, in the case of a voluntary winding-up of our Company during the Exercise Period, upon the earlier of the close of business on the fifth business day prior to the general meeting convened to consider such voluntary winding-up or the date of the commencement of the winding-up of our Company;
- (vii) upon any breach of the provision described in paragraph (h) above; or
- (viii) in the case of an option holder who is a consultant or adviser of our Group, on the date which is the earlier of (1) three months from the date on which the option holder is notified of the resolution by the Board where the Board has resolved in its reasonable opinion that the option holder no longer provides the consultancy or advisory (as appropriate) services to the Group; and (2) three months from the date on which the consultancy or advisory (as appropriate) services provided by the consultant or adviser is terminated.

### *(v) Termination*

In the event that the Board elects to terminate the operation of the Post-[REDACTED] Share Option Scheme, no further option shall be offered but the provisions of the Post-[REDACTED] Share Option Scheme shall remain in force in all other respects. All options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the terms of the Post-[REDACTED] Share Option Scheme.

### *(w) Disclosure of the Post-[REDACTED] Share Option Scheme*

Our Company shall disclose all information as required by the [REDACTED] or any other applicable rules and regulations in our annual and interim reports.

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### *(x) Present status of the Post-[REDACTED] Share Option Scheme*

The Post-[REDACTED] Share Option Scheme shall take effect subject to and is conditional on (i) the passing of an ordinary resolution to approve and adopt the Post-[REDACTED] Share Option Scheme and to authorize the Board to grant options thereunder and to allot and issue Shares pursuant to the exercise of any options by the Shareholders in a general meeting (with any persons required to abstain from voting under the [REDACTED] so abstaining); (ii) the [REDACTED] of the Stock Exchange granting approval of the [REDACTED] of and permission to deal in the Shares which may be issued pursuant to the exercise of the options to be granted under the Post-[REDACTED] Share Option Scheme; (iii) the commencement of dealings in the Shares on the Main Board of the Stock Exchange; and (iv) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated.

The Board considers that it is not appropriate to state the value of all options that can be granted under the Post-[REDACTED] Share Option Scheme as if they had been granted on the Latest Practicable Date, as a number of variables which are crucial for the calculation of the option value have not been determined. Such variables include the exercise price, exercise period, lock-up period (if any), performance targets set (if any) and other relevant variables. The Board believes that any calculation of the value of the options as at the Latest Practicable Date would be based on a great number of speculative assumptions and would henceforth not be meaningful and could be misleading to Shareholders.

As at the date of this [REDACTED], no option has been granted or agreed to be granted under the Post-[REDACTED] Share Option Scheme. Application has been made to the [REDACTED] Committee of the Stock Exchange for the [REDACTED] of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options granted under the Post-[REDACTED] Share Option Scheme.

## **2. Pre-[REDACTED] Share Option Scheme**

### *Summary of terms*

The following is a summary of all the principal terms of the Pre-[REDACTED] Share Option Scheme conditionally adopted by a resolution passed by our then sole Shareholder VideoMobile on December 30, 2016:

### *(a) Purpose, Duration and Control of Scheme*

- (i) The purpose of the Pre-[REDACTED] Share Option Scheme is to offer to only employees and directors (i.e. a member of the board of directors who is not an employee) of, consultants or advisors who performs bona fide services for, the Company, its parent or its subsidiary (the “**Pre-[REDACTED] Share Option Scheme Eligible Persons**”) the opportunity to acquire equity in our Company through awards of Pre-[REDACTED] Options (which may be Pre-[REDACTED] ISOs or Pre-[REDACTED] NSOs as defined below) and the award or sale of Shares.

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- (ii) The Pre-[REDACTED] Share Option Scheme shall be valid and effective until and will terminate upon the earlier of: (i) ten years after its adoption by the Board; (ii) any earlier time as may be determined by the Board for any reason; and (iii) upon the [REDACTED]. Upon termination of the Pre-[REDACTED] Share Option Scheme, no further Pre-[REDACTED] Options shall be granted, but Pre-[REDACTED] Options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Pre-[REDACTED] Share Option Scheme.
- (iii) The Pre-[REDACTED] Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Pre-[REDACTED] Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

### *(b) Options*

The Board shall, subject to and in accordance with the provisions of the Pre-[REDACTED] Share Option Scheme, offer to grant a Pre-[REDACTED] Option to any Pre-[REDACTED] Share Option Scheme Eligible Person whom the Board may in its absolute discretion select and subject to such conditions as it may think fit. Pre-[REDACTED] Options granted under the Pre-[REDACTED] Share Option Scheme may be incentive stock options ("Pre-[REDACTED] ISO(s)"), which are eligible for certain favourable tax treatment under US tax law or non-statutory options ("Pre-[REDACTED] NSO(s)"), which are not. Pre-[REDACTED] ISOs can only be granted to employees of the Company, its parent or its subsidiary.

- (i) If the Board determines to offer a Pre-[REDACTED] Option to a Pre-[REDACTED] Share Option Scheme Eligible Person, the Board shall forward to the relevant Pre-[REDACTED] Share Option Scheme Eligible Person a stock option agreement ("**Stock Option Agreement**") which states, among others:
  - the Pre-[REDACTED] Share Option Scheme Eligible Person's name and address;
  - the date of grant;
  - the number of Shares in respect of which the Pre-[REDACTED] Option is offered;
  - the exercise price and the manner of payment of the exercise price for the Shares on and in consequence of the exercise of the Pre-[REDACTED] Option;
  - the exercise period in relation to that Pre-[REDACTED] Option;
  - the method of acceptance of the Pre-[REDACTED] Option; and
  - such other terms and conditions relating to the offer of the Pre-[REDACTED] Option as imposed by the Board which are not inconsistent with the Pre-[REDACTED] Share Option Scheme.

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- (ii) A Pre-[REDACTED] Option shall not be exercisable unless the grantee has signed and delivered the executed Stock Option Agreement to our Company.
- (iii) During the grantee's lifetime, a Pre-[REDACTED] Option shall be exercisable only by the grantee or by the grantee's guardian or legal representatives, and shall not be transferable other than by beneficiary designation, will or the laws of descent and distribution. Notwithstanding the foregoing, however, to the extent permitted by the Board in its sole discretion, a Pre-[REDACTED] NSO may be transferred by a grantee to a revocable trust or one of more of his/her family members or a trust established for the benefit of the grantee and/or one or more of his/her family members to the extent permitted by the California Code of Regulations.

### *(c) Award and sale of Shares*

In addition to granting Pre-[REDACTED] Options, the Board may, subject to and in accordance with the provisions of the Pre-[REDACTED] Share Option Scheme, award or sell Shares under the Pre-[REDACTED] Share Option Scheme. If the Board elects to so award or sell Shares, the Board shall provide a restricted share agreement to the purchaser, containing any terms and conditions imposed by the Board that are not inconsistent with the Pre-[REDACTED] Share Option Scheme.

Each award of sale of Shares shall be subject to conditions including voting requirements and forfeiture conditions, rights of repurchase, rights of first refusal, and other transfer restrictions as the Board may determine, which will be set out in the restricted share agreement.

### *(d) Exercise Price and Purchase Price*

The exercise price in relation to each Pre-[REDACTED] Option offered to a Pre-[REDACTED] Share Option Scheme Eligible Person shall be the price as may be determined by the Board in its sole discretion, subject to the following requirements:

- (i) Minimum exercise price for Pre-[REDACTED] ISOs: The exercise price per Share of a Pre-[REDACTED] ISO shall not be less than 100% of the fair market value of a Share on the date of grant; provided, however that the exercise price per Share of a Pre-[REDACTED] ISO granted to an individual holding more than ten-percent of the voting power of the Company shall not be less than 110% of the fair market value of a share on the date of grant.
- (ii) Minimum exercise price for Pre-[REDACTED] NSOs: The exercise price per Share of a Pre-[REDACTED] NSO shall not be less than 100% of the fair market value of a Share on the date of grant.

The purchase price in relation to each award or sale of Shares shall be determined by the Board in its sole discretion, provided that, to the extent an award consists of newly issued Shares, the Board shall require the purchaser to provide considering having a value not less than the par value of such Shares.

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### *(e) Exercise of Options*

- (i) A Pre-[REDACTED] Option shall be exercised by the grantee by giving notice in writing to our Company stating that the Pre-[REDACTED] Option is thereby exercised. Each such notice must be accompanied by payment of the full amount of the exercise price for the Shares in respect of which the notice is given.
- (ii) Each of the grantees to whom a Pre-[REDACTED] Option has been granted under the Pre-[REDACTED] Share Option Scheme shall be entitled to exercise his/her Pre-[REDACTED] Option according to the vesting schedule set forth on his/her Stock Option Agreement, provided, however, that no Pre-[REDACTED] Option shall be exercisable unless the grantee has delivered to the Company an executed copy of the Stock Option Agreement.
- (iii) The Board in its sole discretion shall determine when all or any installment of a Pre-[REDACTED] Option is to become exercisable and may, in its discretion, provide for accelerated exercisability in the event of a Change in Control or other events. As used herein, "Change in Control" shall mean (i) the consummation of a merger or consolidation of the Company with or into another entity, if persons who were not Shareholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each the surviving entity and any parent corporation of such surviving entity, (ii) the consummation of the sale, transfer or other disposition of all or substantially all of the Company's assets or the Shareholders of the Company approve a plan of complete liquidation of the Company, or (iii) any "person" (as defined under the Pre-[REDACTED] Share Option Scheme) who has voting or disposition power of 50% or more of the combined voting power of the Company. Notwithstanding the foregoing, (A) Pre-[REDACTED] Options granted to an outside director (as defined under the Pre-[REDACTED] Share Option Scheme) shall be automatically accelerated in full in the event of a Change in Control, (B) a Stock Option Agreement may permit early exercise of the Pre-[REDACTED] Options, subject to the Company's repurchase right, (C) if the services of any holder of Pre-[REDACTED] Options are terminated within one year of a Change of Control without good cause or the holder of Pre-[REDACTED] Options resigns for good reason, vesting shall be accelerated in full.

### *(f) Lapse of Option or right*

A Pre-[REDACTED] Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry date of the Pre-[REDACTED] Option which may not be longer than ten years (or five years in the case of a Pre-[REDACTED] ISO granted to a 10% shareholder);
- (ii) the date of commencement of the winding-up of our Company (as determined in accordance with the Companies Law) or upon a Change in Control in which the Board does not provide for the assumption or continuation of the Pre-[REDACTED] Options or immediate exercisability of the Pre-[REDACTED] Options; and

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- (iii) if the services of a holder of Pre-[REDACTED] Options terminate, then his/her Pre-[REDACTED] Options remain exercisable as to those shares vested upon termination of service, for at least thirty (30) days if termination of service is due to any reason other than cause, death or disability, and for at least six (6) months after termination of service if due to death or disability (but in no event later than the otherwise expiration of the option term). If the services of a holder of Pre-[REDACTED] Options are terminated for cause, the Stock Option Agreement may provide that the holder of Pre-[REDACTED] Options' right to exercise the Pre-[REDACTED] Option terminates immediately on the effective date of the holder of Pre-[REDACTED] Options' termination.

Any right to acquire Shares (other than by exercise of a Pre-[REDACTED] Option) shall, if not exercised, expire automatically within 30 days after our Company has communicated the grant of such right to the purchaser. The right to acquire Shares (other than by exercise of a Pre-[REDACTED] Option) shall be non-transferable and exercisable only by the purchaser to whom the right was granted.

*(g) Maximum Number of Shares available for Subscription*

The maximum number of Shares available for issuance under the Pre-[REDACTED] Share Option Scheme is 6,000,000 Shares at the time of adoption of the Pre-[REDACTED] Share Option Scheme (equivalent to [REDACTED] Shares upon the [REDACTED] becoming effective, representing approximately [REDACTED]% of the issued share capital of our Company upon completion of the [REDACTED] and the [REDACTED]) (but taking no account of our Shares to be issued pursuant to the exercise of the Pre-[REDACTED] Options, the options which may be granted under the Post-[REDACTED] Share Option Scheme or the [REDACTED])). The number of Shares which are subject to Pre-[REDACTED] Options or other rights outstanding at any time shall not exceed the number of Shares which then remain available for issuance under the Pre-[REDACTED] Share Option Scheme.

*(h) Capital Restructuring*

Save as provided for in and subject to the offer document, in the event of any capitalization issue, rights issue, open offer, sub-division, consolidation of shares, or reduction of capital of our Company, the Board shall make equitable adjustments to the following:

- (i) the number and class of shares covered by each outstanding Pre-[REDACTED] Option;
- (ii) the exercise price under each outstanding Pre-[REDACTED] Option; and
- (iii) the price of Shares subject to the Company's right of repurchase.

*(i) Sufficient Share Capital*

The Board shall at all times during the term of the Pre-[REDACTED] Share Option Scheme reserve and keep available sufficient Shares to satisfy the requirements of the Pre-[REDACTED] Share Option Scheme.



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*(j) Repurchase right of our Company*

Where provided in the restricted share agreement or Stock Option Agreement, Our Company shall have the right to repurchase Shares acquired through an award or sale of Shares or exercise of a Pre-[REDACTED] Option upon termination of the purchaser or grantee's service with the Company, its parent or its subsidiary. The Board shall, in its sole discretion, determine when the right to repurchase shall lapse as to all or any portion of the Shares.

*(k) Alteration of the Pre-[REDACTED] Share Option Scheme*

The terms and conditions of the Pre-[REDACTED] Share Option Scheme and the regulations for the administration and operation of the Pre-[REDACTED] Share Option Scheme may be altered in any respect by resolution of the Board except that no modification of a Pre-[REDACTED] Option shall, without the consent of the grantee, materially impair his/her rights or increase the grantee's obligation under such option.

*(l) Termination*

The Board may at any time resolve to terminate the operation of the Pre-[REDACTED] Share Option Scheme and in such event no further Pre-[REDACTED] Options shall be offered but the Pre-[REDACTED] Options granted prior to such termination shall continue to be valid and exercisable.

*(m) Cancellation of Options*

Where our Company cancels Pre-[REDACTED] Options, the grant of new Pre-[REDACTED] Options to the same grantee may only be made under the Pre-[REDACTED] Share Option Scheme within the limit set out above.

### 3. Outstanding Pre-[REDACTED] Share Options

On April 25, 2017, our Company granted Pre-[REDACTED] Options to subscribe for an aggregate of 4,000,000 Shares (to be adjusted to an aggregate of [REDACTED] Shares upon the [REDACTED] becoming effective, representing approximately [REDACTED]% of the total issued share capital of our Company immediately upon completion of the [REDACTED] and [REDACTED] but taking no account of any Shares that may be issued pursuant to the exercise of the [REDACTED] or the options which have been granted under the Pre-[REDACTED] Share Option Scheme or may be granted under the Post-[REDACTED] Share Option Scheme). All Pre-[REDACTED] Options have a term of ten years except for the ISOs granted to Mr. Wang which have a term of five years. All Pre-[REDACTED] Options were granted at an exercise price of US\$0.50 (equivalent to approximately HK\$3.8965) per Share (to be adjusted to US\$[REDACTED] per Share upon the [REDACTED] becoming effective, representing a discount of approximately [REDACTED]% to an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]), except that the Pre-[REDACTED] ISOs granted to Mr. Wang have an exercise price of US\$0.55 (equivalent to approximately HK\$4.2861) per Share (to be adjusted to US\$[REDACTED] per Share upon the [REDACTED] becoming effective, representing a discount of approximately [REDACTED]% to an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]). All such Pre-[REDACTED] Options vest as to 50% of the underlying Shares on April 25, 2019, with the remaining 50% of the underlying Shares vesting in 24 equal installments over the two years thereafter. All Pre-[REDACTED] Options must be exercised, to the extent

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vested on the date of termination of services, within three months if the termination was by our Company, whether with or without cause, or by the holder of the Pre-[REDACTED] Options by resignation, and within one year if the termination was due to the death or disability of the holder of the Pre-[REDACTED] Options.

Particulars of the outstanding Pre-[REDACTED] Options conditionally granted under the Pre-[REDACTED] Share Option Scheme are set out below:

Name of grantee <sup>(Note 1)</sup>	Address	Job Title	No. of underlying Shares subject to Pre-[REDACTED] Options (as adjusted for the [REDACTED])	Approximate percentage of issued share capital of our Company immediately upon the [REDACTED] <sup>(Note 2)</sup>
<i>Directors, chief executive or substantial holders of our Company or subsidiaries, or our respective associates</i>				
Mr. Wang . . . . .	2 Heather Drive, Atherton, California 94027-2006, United States.	Executive Director	[REDACTED]	[REDACTED]
Mr. Witte . . . . .	818 Garland Drive, Palo Alto, California 94303, United States.	Executive Director	[REDACTED]	[REDACTED]
Mr. Zhu . . . . .	1000 Continentals Way, Apartment 211, Belmont, California 94002, United States.	Executive Director	[REDACTED]	[REDACTED]
WONG Wai Kwan (王偉軍) . . . . .	Flat C, 3/F, Tower 3, Hoi San Mansion, Riviera Gardens, 1-7 Yi Hong Street, Tsuen Wan, New Territories, Hong Kong.	Non-Executive Director	[REDACTED]	[REDACTED]
<b>Sub-total . . . . .</b>			[REDACTED]	[REDACTED]
<i>Senior management of our Group (who are not Directors, chief executive or substantial shareholders of our Company or subsidiaries, or our respective associates)</i>				
Mr. Erwin . . . . .	46585 SE Coalman Road, Sandy, Oregon 97055, United States.	Senior Vice President of Sales and Customer Relations	[REDACTED]	[REDACTED]
Mr. Smith . . . . .	3851 Vineland Avenue, Los Angeles, California 91604-3913, United States.	Senior Vice President of Business Development	[REDACTED]	[REDACTED]
HO Sai Hong Vincent (何世康) . . . . .	Flat C, 18/F, Block 5, City Point, 48 Wing Shun Street, Tsuen Wan, New Territories, Hong Kong.	Financial Controller and Secretary	[REDACTED]	[REDACTED]
<b>Sub-total . . . . .</b>			[REDACTED]	[REDACTED]
<i>Employees of our Group (who are not Directors, chief executive, substantial shareholders or senior management of our Company or subsidiaries, or our respective associates)</i>				
Alan Darryl MARTIN . . . . .	19170 S Leland Road, Oregon City, Oregon 97045, United States.	Executive Director of SW Engineering	[REDACTED]	[REDACTED]
Ashly Kristin LUPER . . . . .	5180 NE Alberta Street, Unit A, PO Box 56683, Portland, Oregon 97238, United States.	Strategic Partner Manager	[REDACTED]	[REDACTED]



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Name of grantee <sup>(Note 1)</sup>	Address	Job Title	No. of underlying Shares subject to Pre-[REDACTED] Options (as adjusted for the [REDACTED])	Approximate percentage of issued share capital of our Company immediately upon the [REDACTED] (Note 2)
Benjamin David SODOS . . . . .	2311 Regina Court, Santa Clara, California 95054, United States.	Senior Customer Support Manager	[REDACTED]	[REDACTED]
Christopher Aquino FILART . . . . .	3547 Oak Knoll Drive, Emerald Hills, California 94062, United States.	Senior Product Manager	[REDACTED]	[REDACTED]
LIU Yixi . . . . .	27/F, Kashi Court, 36 Ming Yuen Western Street, North Point, Hong Kong.	Director, Sales & Client Service	[REDACTED]	[REDACTED]
Dagmar FISCHER . . . . .	12618 Tidewater Street, Oregon City, Oregon 97045, United States.	Product Manager, Operations	[REDACTED]	[REDACTED]
Dallas Steven WHIPPS . . . . .	3716 SE Sandy Circle, Troutdale, Oregon 97060, United States.	Product Manager, Sales	[REDACTED]	[REDACTED]
Dan LIANG . . . . .	20975 Valley Green Drive, Apartment 213, Cupertino, California 95014, United States.	Staff Accountant and Accounting Operations Manager	[REDACTED]	[REDACTED]
Glenn William MERISON . . . . .	11530 NE Yacht Harbor Drive, #D-416, Portland, Oregon 97217, United States.	Executive Director of Sales	[REDACTED]	[REDACTED]
Guangshun CHEN . . . . .	14200 Lutheria Way, Saratoga, California 95070, United States.	Vice President, Data Infrastructure and Tech Ops	[REDACTED]	[REDACTED]
Hai BO . . . . .	1172 Vida Larga Loop, Milpitas, California 95035, United States.	Manager of IT Operations	[REDACTED]	[REDACTED]
Hao JIANG . . . . .	478 SW Valeria View Drive, Apartment 205, Portland, Oregon 97225-7102, United States.	Software Architect	[REDACTED]	[REDACTED]
Houqin LIAO . . . . .	16900 SE 26th Drive, Apartment 143, Vancouver, Washington 98683-3490, United States.	Finance Manager	[REDACTED]	[REDACTED]
Jason William CROW . . . . .	9970 SE Old Town Court, Happy Valley, Oregon 97086, United States.	Regional Client Relations Manager	[REDACTED]	[REDACTED]
Jerry Glen KILPATRICK II . . . . .	16911 NE 244th Street, Battle Ground, Washington 98604-9779, United States.	Senior SW Engineer	[REDACTED]	[REDACTED]
Jie ZHANG . . . . .	5518 NE 71st Avenue, Vancouver, Washington 98661-3867, United States.	Director of Global Strategic Planning	[REDACTED]	[REDACTED]
Jingqing HE . . . . .	85 Rio Robles E, Unit 1230, San Jose, California 95134, United States.	Accounting Analyst and Revenue Manager	[REDACTED]	[REDACTED]
Kevin George CASSIDY . . . . .	3815 Southshore Boulevard, Lake Oswego, Oregon 97035, United States.	Vice President of Professional Services	[REDACTED]	[REDACTED]

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Name of grantee <sup>(Note 1)</sup>	Address	Job Title	No. of underlying Shares subject to Pre-[REDACTED] Options (as adjusted for the [REDACTED])	Approximate percentage of issued share capital of our Company immediately upon the [REDACTED] <sup>(Note 2)</sup>
Kazuyoshi HAYASHI (林 和義) . . .	#805 Park Tower, Yokohama Portside, 2-1 Kinko-cho, Kanagawa-ku, Yokohama-shi, Kanagawa-ken, Japan. (横浜市神奈川区金港町2-1 パークタワー横浜ポートサイド 805)	Senior Managing Director & Senior General Manager of Sales Division	[REDACTED]	[REDACTED]
Laurie Ann OWEN . . . . .	3730 NE Country Club Avenue, Gresham, Oregon 97030, United States.	Accounting Manager	[REDACTED]	[REDACTED]
Lynne Marie MURPHY . . .	4323 SE Jennifer Court, Troutdale, Oregon 97060, United States.	Director of Legal, Credit & Audit	[REDACTED]	[REDACTED]
Manvinder Singh NAGI .	7643 Masters Street, Elk Grove, California 95758-7244, United States.	Vice President of Global Services	[REDACTED]	[REDACTED]
Marion Anita SMITH . . . . .	13001 S Smoke Tree Place, Oregon City, Oregon 97045, United States.	Executive Director of Customer Relations	[REDACTED]	[REDACTED]
Mitch Man Duy TRAM . . . . .	3656 Bloomsbury Way, San Jose, California 95132, United States.	Senior Manager of FP and A	[REDACTED]	[REDACTED]
Rathdalya SAM . . . . .	3265 Floresta Drive, San Jose, California 95148, United States.	Client Services Representative	[REDACTED]	[REDACTED]
Shunichiro KATO (加藤 俊一 郎) . . . . .	#F-303, 4-1 Sakurajosui, Setagaya-ku, Tokyo, Japan. (世田谷区桜上水4丁目1番 F-303号)	Senior Sales Engineering Manager	[REDACTED]	[REDACTED]
Thomas Scott GOODLOE . .	12118 Hadden Hall Drive, Chesterfield, Virginia 23838, United States.	Regional Sales Manager	[REDACTED]	[REDACTED]
Thomas Mark GUILFORD .	14230 SW Alibhai Street, Beaverton, Oregon 97005, United States.	Finance Director	[REDACTED]	[REDACTED]
Travey Loreen KILPATRICK .	16911 NE 244th Street, Battle Ground, Washington 98604-9779, United States.	Director of Data Operations	[REDACTED]	[REDACTED]
Wei WANG . . .	16900 SE 26th Drive, Apartment 143, Vancouver, Washington 98683-3490, United States.	Product Operations Manager	[REDACTED]	[REDACTED]
Xiaoying YUAN . . . . .	43631 Skye Road, Fremont, California 94539, United States.	Director of Finance and Controller	[REDACTED]	[REDACTED]
Yian XU . . . . .	132 Blueberry Hill Drive, Los Gatos, California 95032, United States.	Senior Director of Product Management	[REDACTED]	[REDACTED]
Yonghui MA . .	3005 Kaiser Drive, Unit C, Santa Clara, California 95051, United States.	Director of Product Management and Marketing	[REDACTED]	[REDACTED]
Zhiyong WANG . . . . .	3104 Florence Park Drive, San Jose, California 95135, United States.	Senior Vice President of Engineering and SaaS Operations	[REDACTED]	[REDACTED]

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Name of grantee <sup>(Note 1)</sup>	Address	Job Title	No. of underlying Shares subject to Pre-[REDACTED] Options (as adjusted for the [REDACTED])	Approximate percentage of issued share capital of our Company immediately upon the [REDACTED] <sup>(Note 2)</sup>
KWAN Ngai Kit	Flat D, 29/F, Block 2, Nob Hill, 8 King Lai Path, Lai Chi Kok, Kowloon, Hong Kong.	Consultant	[REDACTED]	[REDACTED]
<b>Sub-total</b> . . . . .			[REDACTED]	[REDACTED]
<b>Total</b> . . . . .			[REDACTED]	[REDACTED]

*Notes:*

- Each grantee, upon accepting the Pre-[REDACTED] Options, is deemed to have undertaken to our Company that he/she will hold and exercise his/her Pre-[REDACTED] Options in accordance with the rules of the Pre-[REDACTED] Share Option Scheme and his/her Stock Option Agreement, including with respect to the allotment and issue of Shares to him/her upon the exercise of his/her Pre-[REDACTED] Options and the holding of such Shares.
- These percentages are calculated on the basis of [REDACTED] Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] and assuming that none of the Pre-[REDACTED] Options has been exercised and taking no account of any Shares that may fall to be allotted and issued upon the exercise of the [REDACTED] or any options which have been granted under the Pre-[REDACTED] Share Option Scheme or may be granted under the Post-[REDACTED] Share Option Scheme.

Based on the number of issued Shares immediately following completion of the [REDACTED] and [REDACTED] and assuming that the Pre-[REDACTED] Options, options that may be granted under the Post-[REDACTED] Share Option Scheme and the [REDACTED] have not been exercised, full exercise of the Pre-[REDACTED] Options would result in the issued share capital of our Company being increased by approximately [REDACTED]%, hence diluting the shareholdings of our Shareholders. Assuming all Pre-[REDACTED] Options had been exercised in full, but not taking into account any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Post-[REDACTED] Share Option Scheme or the [REDACTED], this will have a dilutive effect on (i) the shareholdings of the Shareholders of approximately [REDACTED]%; and (ii) earnings per Share of approximately [REDACTED]%. As of the date of this [REDACTED], none of the Pre-[REDACTED] Options had been exercised by the grantees.

Application has been made to the Stock Exchange for the [REDACTED] of and permission to deal in Shares to be issued pursuant to the exercise of the Pre-[REDACTED] Options.

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### 4. Tax and Other Indemnities

VideoMobile [entered] into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for its subsidiaries) to provide indemnities in respect of, among other matters, taxation and other liability claim to which any member of our Group may be subject and payable on or before the date on which VideoMobile ceased to be the holding company of our Group.

### 5. Litigation

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

### 6. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the [REDACTED] for the [REDACTED] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this [REDACTED] (including any Shares which may be issued pursuant to the exercise of the [REDACTED]). The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the [REDACTED]. The fees to the Sole Sponsor were approximately [REDACTED] and were paid by us.

### 7. Preliminary Expenses

The preliminary expenses incurred by us in relation to the incorporation of our Company were approximately US\$5,000 and were paid by us.

### 8. Promoter

We have no promoter for the purpose of the [REDACTED]. Save as disclosed in this [REDACTED], within the two years immediately preceding the date of this [REDACTED], no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this [REDACTED].

### 9. Taxation of Holders of Shares

#### (a) *Hong Kong*

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of Hong Kong would be likely to fall upon any member of our Group.

#### (b) *Cayman Islands*

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares and there is no taxation in the nature of inheritance tax or estate duty.

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### *(c) Consultation with professional advisers*

Intending holders of our Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the [REDACTED] can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

### 10. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this [REDACTED]:

CITIC CLSA Capital Markets Limited	Licensed to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants
Travers Thorp Alberga	Cayman Islands attorneys-at-law
Pillsbury Winthrop Shaw Pittman LLP <sup>(1)</sup>	Company's legal advisers as to United States laws
Mori Hamada & Matsumoto	Company's legal advisers as to the laws of Japan
Beijing Guantao Law Firm Hangzhou Office	Company's legal advisers as to PRC laws
Frost & Sullivan International Limited	Industry consultant

*Note:*

- (1) Mr. Wurzburg is currently acting as secretary of our subsidiaries, including Vobile US, and of VideoMobile. In addition, he also holds 475,000 Shares as part of his personal investment.

### 11. Consent of Experts

Each of the experts named in the paragraph headed "Qualification of Experts" above has given and has not withdrawn its respective written consent to the issue of this [REDACTED] with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included in this [REDACTED] in the form and context in which it is respectively included.

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### 12. Binding Effect

This [REDACTED] shall have the effect, if an application is made in pursuance of this [REDACTED], of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

### 13. Estate Duty

We have been advised that no material liability for estate duty under the laws Hong Kong would be likely to fall upon any member of our Group.

## E. MISCELLANEOUS

- (a) Save as disclosed in this [REDACTED], within the two years immediately preceding the date of this [REDACTED]:
  - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
  - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no founders or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;
  - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries; and
  - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries.
- (b) Save as disclosed in this [REDACTED], our Group had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities.
- (c) Our Directors confirm that:
  - (i) there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2016 (being the date to which the latest audited consolidated financial statements of our Group were prepared);
  - (ii) there is no arrangement under which future dividends are waived or agreed to be waived; and
  - (iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this [REDACTED].

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- (d) Our principal register of members will be maintained by our principal registrar, [REDACTED], in the Cayman Islands and our Hong Kong register of members will be maintained by our [REDACTED], [REDACTED], in Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our [REDACTED] and may not be lodged in the Cayman Islands.
- (e) All necessary arrangements have been made to enable our Shares to be admitted into [REDACTED] for clearing and settlement.
- (f) No company within our Group is presently [REDACTED] on any stock exchange or traded on any trading system.
- (g) Our Directors have been advised that, under the Companies Law, the use of a Chinese name by our Company for identification purposes only does not contravene the Companies Law.
- (h) The English and Chinese language versions of this [REDACTED] are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and [REDACTED] from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).



## **APPENDIX V**

## **DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION**

### **1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to a copy of this [REDACTED] and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the [REDACTED], [REDACTED] and [REDACTED];
- (b) a copy of each of the material contracts referred to the section headed "Statutory and General Information – Further Information about Our Business – Summary of Material Contracts" in Appendix IV to this [REDACTED]; and
- (c) the written consents referred to in the section headed "Statutory and General Information – Other Information – Consent of Experts" in Appendix IV to this [REDACTED].

### **2. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Simmons & Simmons at 13th Floor, One Pacific Place, 88 Queensway, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this [REDACTED]:

- (a) our Memorandum and Articles of Association;
- (b) the Accountants' Report prepared by Ernst & Young, the text of which is set out in Appendix I to this [REDACTED];
- (c) the report from Ernst & Young in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this [REDACTED];
- (d) the audited consolidated financial statements of our Company for the years ended December 31, 2014, 2015 and 2016;
- (e) a copy of the letter of advice prepared by Travers Thorp Alberga summarizing certain aspects of Cayman Islands company law referred to in Appendix III to this [REDACTED];
- (f) the Cayman Islands Companies Law;
- (g) copies of material contracts referred to the section headed "Statutory and General Information – Further Information about Our Business – Summary of Material Contracts" in Appendix IV to this [REDACTED];
- (h) the written consents referred to in the section headed "Statutory and General Information – Other Information – Consent of Experts" in Appendix IV to this [REDACTED];
- (i) service contracts and letters of appointment entered into between our Company and each of our Directors;
- (j) the industry report prepared by Frost & Sullivan and referred to in the section headed "Industry Overview";
- (k) our Pre-[REDACTED] Share Option Scheme; and
- (l) the rules of our Post-[REDACTED] Share Option Scheme.