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Vobile Group Limited

阜博集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3738)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2018

FINANCIAL HIGHLIGHTS

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

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

The following table reconciles our adjusted net profit for the period presented to the most directly comparable financial measure calculated and presented in accordance with International Financial Reporting Standards (“IFRS”). Adjusted net profit is not required by, or presented in accordance with, IFRS.

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

Interim Condensed Consolidated Statement of Financial Position Highlights

	June 30,	December 31,
	2018	2017
	US\$’000	US\$’000
	(Unaudited)	(Audited)
Total assets	50,513	24,593
Total liabilities	3,862	5,157
Net assets	46,651	19,436
Total equity	<u><u>46,651</u></u>	<u><u>19,436</u></u>

The board of directors (the “Board” and the “Directors”, respectively) of Vobile Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended June 30, 2018 together with the comparative figures for the six months ended June 30, 2017 as set out below.

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

For the six months ended June 30, 2018

		Six months ended June 30,	
		2018	2017
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Audited)
REVENUE	4	7,370	7,761
Cost of services provided		<u>(1,508)</u>	<u>(1,484)</u>
Gross profit		5,862	6,277
Other income and gains	4	7	68
Selling and marketing expenses		(2,210)	(2,157)
Administrative expenses		(2,199)	(3,161)
<i>Including: Listing fees expensed</i>		(357)	(2,046)
Research and development expenses		(785)	(834)
Other expenses		<u>(169)</u>	<u>(35)</u>
PROFIT BEFORE TAX	5	506	158
Income tax (expense)/credit	6	<u>(306)</u>	<u>19</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>200</u>	<u>177</u>
OTHER COMPREHENSIVE LOSS			
Exchange differences on translation of foreign operations		<u>(318)</u>	<u>(1)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		<u>(318)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(118)</u>	<u>176</u>
EARNINGS PER SHARE			
Basic, profit for the period attributable to ordinary and preference equity holders of the parent (US cent)	8	0.05	0.05
Diluted, profit for the period attributable to ordinary and preference equity holders of the parent (US cent)		<u>0.05</u>	<u>0.05</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 CORPORATE INFORMATION

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

The Company is an investment holding company. During the period, the Group was principally engaged in providing software as a service (“SaaS”).

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

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

2.1 Basis of Preparation

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

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

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

2.2 New Standards, Interpretations and Amendments Adopted by the Group

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

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

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

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

(a) *Classification and measurement*

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

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

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

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

(b) *Impairment*

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

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

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

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

For other debt financial assets (i.e., loans and debt securities at FVOCI), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

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

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

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

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, and to take into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The adoption of IFRS 15 has had no material impact on the Group's consolidated financial statements.

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

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) *Revenue from external customers*

	Six months ended June 30,	
	2018 US\$'000 (Unaudited)	2017 US\$'000 (Audited)
United States	6,941	7,267
Japan	333	333
Other countries and regions	<u>96</u>	<u>161</u>
	<u>7,370</u>	<u>7,761</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.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered during the period.

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

	Six months ended June 30,	
	2018	2017
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Revenue		
Rendering of services	<u>7,370</u>	<u>7,761</u>
Other income and gains		
Interest income	7	19
Foreign exchange gain	—	31
Others	<u>—</u>	<u>18</u>
	<u>7</u>	<u>68</u>

5. PROFIT BEFORE TAX

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

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

6. INCOME TAX EXPENSE/CREDIT

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

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

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

7. DIVIDEND

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

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

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

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

	Six months ended June 30,	
	2018	2017
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Earnings		
Profit attributable to ordinary and preference equity holders of the Company, used in the basic earnings per share calculation	<u><u>200</u></u>	<u><u>177</u></u>

	Six months ended June 30,	
	2018	2017
Shares		
Weighted average number of ordinary and preference shares in issue during the period used in the basic earnings per share calculation	422,385,033	333,174,536
Effect of dilution — Weighted average number of ordinary shares:	<u>8,830,642</u>	<u>3,213,063</u>
Weighted average number of ordinary and preference share options for the purpose of diluted earnings per share calculation	<u>431,215,675</u>	<u>336,387,599</u>

9. TRADE RECEIVABLES

	June 30, 2018 US\$'000 (Unaudited)	December 31, 2017 US\$'000 (Audited)
Trade receivables	7,611	6,180
Impairment	<u>(36)</u>	<u>(48)</u>
	<u>7,575</u>	<u>6,132</u>

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

	June 30, 2018 US\$'000 (Unaudited)	December 31, 2017 US\$'000 (Audited)
Within 90 days	3,224	3,718
91 to 180 days	1,157	1,670
181 to 365 days	3,126	744
Over 365 days	<u>68</u>	<u>—</u>
	<u>7,575</u>	<u>6,132</u>

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

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

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

The individually impaired trade receivables relate to debtors that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The aging analysis of the current trade receivables that are not individually nor collectively considered to be impaired is as follows:

	June 30, 2018 US\$'000 (Unaudited)	December 31, 2017 US\$'000 (Audited)
Neither past due nor impaired	2,835	4,333
Within 90 days	1,456	1,520
91 to 180 days	1,501	279
181 to 365 days	<u>1,783</u>	<u>—</u>
	<u>7,575</u>	<u>6,132</u>

Receivables that were past due but not impaired relate to a number of independent debtors that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

10. TRADE PAYABLES

	June 30, 2018 <i>US\$'000</i> (Unaudited)	December 31, 2017 <i>US\$'000</i> (Audited)
Within 90 days	<u>1,587</u>	<u>1,702</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND PROSPECT

In the first half of 2018, we adhered to our development strategies to continue to strengthen our global leadership position in online video content protection and become a leading content monetization platform to facilitate online video distribution using a revenue-sharing model. Our customers include some of the world's largest film studios, including the top seven global film studios, and a number of other film studios, TV networks and other content owners. Through our proprietary software platforms, we help our content owner customers protect their content from unauthorized use and monetize their content by enabling revenue-sharing for, or in connection with, the distribution of their video content. In addition, we offer content measurement platforms to help our content owner customers measure the viewership of their content. Our business model can be categorized into two parts:

- Subscription-based software as a service (“SaaS”) business — consisting primarily of content protection platforms (including VideoTracker and MediaWise) as well as content measurement platforms; and
- Transaction-based SaaS business — consisting of content monetization platforms to enable revenue-sharing for conventional home video distribution through our conventional PPT platform and online video distribution through our online PPT platforms (including advertising video-on-demand (“AVOD”) PPT platform, or “ReClaim”, and our newly developed product, transactional video-on-demand (“TVOD”) PPT platform).

Subscription-based SaaS Business

Our subscription-based SaaS business consists primarily of content protection platforms and content measurement platforms.

Content protection platforms

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

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

Content measurement platforms

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

Transaction-based SaaS Business

Our transaction-based SaaS business consists primarily of content monetization platforms to enable revenue-sharing for conventional home video distribution through our conventional PPT platform and online video distribution through our online PPT platforms (including AVOD PPT platform, or “ReClaim”, and TVOD PPT platform).

Online PPT platforms

Our first online PPT platform, AVOD PPT platform, facilitates video distribution to online video sites that provide content to consumers for free but generate revenue utilizing an advertising-based model. We intend to grow our AVOD PPT platform and business by acquiring claiming rights from content owners, and expanding our claiming service to cover additional online video sites.

Our second online PPT platform, our TVOD PPT platform, facilitates online video distribution using a revenue-sharing model to online video sites using a rental or sell-through model. We intend to grow our TVOD PPT platform and business by obtaining licensing rights to large amounts of high-quality video content from content owners, further enhancing our platform with advanced and sufficient measurement and auditing capabilities, and developing a network of online video sites to offer our licensed video content to end user consumers.

Industry Outlook and the Group’s Strategies

With continuous development and introduction of quality video entertainment products, we believe the global video entertainment market size in terms of revenue will grow from approximately US\$570 billion in 2018 to approximately US\$633 billion in 2021. The advancement of video distribution technology and content digitization acts as a powerful force driving the development of the online video entertainment market, providing people with easier access and more flexible pricing models. We further believe the global online video entertainment market in terms of revenue will grow from approximately US\$54 billion in 2018 to US\$87 billion in 2021, a compound annual growth rate (“CAGR”) of approximately 17%. In comparison, we expect the online video entertainment market in China will achieve a higher CAGR in revenue of approximately 26% between 2017 and 2021 compared to approximately 14% CAGR in the US during the same period.

The risks of piracy and copyright violation remain pervasive in the online video sector and online video content protection service providers not only helps with the protection of video content. But also can help facilitate critical business functions, including content identification, copyright protection and data intelligence. Online video sites usually need to spend after heavy negotiation large upfront guarantee fees to purchase content copyrights. Online video Revenue-Sharing Model enables online video sites to acquire large number of videos from content owners without significant upfront guarantee, but instead share a portion of their revenue generated from advertisement (AVOD) and/or consumer spending (TVOD). Due to the cost-saving advantage, the online video Revenue-Sharing Model has achieved rapid expansion. In addition, video measurement is applied in TV and online video measurement to measure video advertising performance and audience information, and is attracting more and more attention as it is essential to the growth of the online video ecosystem.

We intend to leverage such favorable industry prospects by pursuing the following strategies:

- Continue to Strengthen Our Leading Market Position in Content Protection
- Grow Our Online PPT and Content Measurement Platforms
- Strategically Pursue Expansion Opportunities in China and Europe
- Pursue Business Expansion via Strategic Alliances and Acquisitions

FINANCIAL REVIEW

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Adjusted net profit	<u><u>557</u></u>	<u><u>1,427</u></u>

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Total liabilities	3,862	5,157
Net assets	46,651	19,436
Total equity	46,651	19,436

Revenue

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

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

Our revenue for the six months ended June 30, 2018 amounted to US\$7.4 million, representing a decrease of 5.0% or US\$0.4 million as compared to the revenue for the six months ended June 30, 2017. Such decrease was mainly attributable to the decrease in revenue from our Conventional PPT business from US\$1.1 million for the six months ended June 30, 2017 to US\$0.7 million for the six months ended June 30, 2018 which resulted from the change in consumers' consumption patterns from renting movies from video stores to renting movies online. On the other hand, the revenue from non-Conventional PPT business increased from US\$6.6 million for the six months ended June 30, 2017 to US\$6.7 million for the six months ended June 30, 2018.

Gross Profit and Gross Profit Margin

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

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

Selling and marketing expenses

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

Administrative expenses

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

Research and development expenses

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

Income tax expense

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

Profit for the period attributable to owners of the Company

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

Basic and diluted earnings per share for the six months ended June 30, 2018 were approximately US0.05 cent (six months ended June 30, 2017: US0.05 cent). Excluding the one-off listing expenses, net of tax, the adjusted basic and diluted earnings per share for the six months ended June 30, 2018

were approximately US0.13 cent (six months ended June 30, 2017: US0.43 cent and US0.42 cent, respectively). The Board does not recommend any payment of dividends for the period ended June 30, 2018 (six months ended June 30, 2017: Nil).

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

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

Significant Investments, Acquisitions and Disposals

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

During the six months ended June 30, 2018, we had no material acquisition or disposal.

Capital Expenditures

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

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

As at June 30, 2018, we did not have (i) any outstanding bank borrowings, (ii) any material contingent liabilities or guarantees, (iii) any liabilities under acceptance trade receivables or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantee material covenants, or other material contingent liabilities, (iv) any material off-balance sheet arrangements, or (v) any unutilized banking facilities. We did not enter into any bank loan facilities as at June 30, 2018.

Foreign exchange exposure

Our transactions are mainly settled in United States dollars and Hong Kong dollars and therefore have minimal exposure to foreign exchange risk. We have not used any derivative financial instrument to hedge against our exposure to foreign exchange risk but will monitor such risk closely on an ongoing basis.

Gearing Ratio

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

EMPLOYEE AND REMUNERATION POLICY

As at June 30, 2018, we employed a total of 61 staff (as at June 30, 2017: 62 staff). Salaries, bonuses and benefits are determined with reference to market terms and performance, qualifications and experience of each individual employee, and are subject to review from time to time.

The remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board. The relevant Director's experience, duties and responsibilities, time commitment, the Company's performance and the prevailing market conditions are taken into consideration in determining the emolument of the Directors.

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE PRACTICE

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

The shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date. During the period from the Listing Date up to the date of this announcement, the Company has applied the principles as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing Rules") which are applicable to the Company save and except for code provision A.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yangbin Bernard WANG is both our Chairman and Chief Executive Officer, and is responsible for the overall management of our Group and directing the strategic development and business plans of our Group. We believe Mr. Wang has been instrumental to our growth and business expansion since our establishment in 2005. Our Board considers that the roles of chairman and chief executive officer being vested in the same person is beneficial to the business prospects, management and overall strategic direction of our Group by ensuring consistent leadership within our Group and facilitating more effective and efficient overall strategic planning and decision-making for our Group. After considering all the corporate governance measures that have been taken, the Board considers that the balance of power and authority will not be impaired by the present arrangement and the current structure will enable the Company to make and implement decisions more promptly and effectively. Thus, the Company does not segregate the roles of Chairman and Chief Executive Officer.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “Model Code”) as its code of conduct regarding securities transactions by the Directors. The Company has also set guidelines, at least as strict as the Model Code, on transactions of the Company’s securities for relevant employees (as defined in the Listing Rules).

The Company has made specific inquiries to all Directors about their compliance with the Model Code, and they all confirmed that they complied with the standards specified in the Model Code during the period from the Listing Date to June 30, 2018. The Company has made specific inquiries of relevant employees about their compliance with the guidelines on transactions of the Company’s securities, without noticing any violation of the guidelines.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on January 4, 2018. The net proceeds received by the Company from the global offering amounted to US\$21.3 million after deducting underwriting commissions and all related expenses. The net proceeds received from the global offering will be used in the manner consistent with that mentioned in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the period from the Listing Date up to June 30, 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

REVIEW OF INTERIM RESULTS

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

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the HKEx (www.hkexnews.hk) and the Company (www.vobilegroup.com). The interim report for the six months ended June 30, 2018 containing all the information required by the Listing Rules will be dispatched to the Shareholders and made available on the above websites in due course.

By Order of the Board
Vobile Group Limited
Yangbin Bernard Wang

Chairman, Executive Director and Chief Executive Officer

Hong Kong, August 30, 2018

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