Vobile Group Limited
阜博集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3738)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

FINANCIAL HIGHLIGHTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income Highlights

	2018	2017
	US$'000	*US$'000*
Revenue	**15,225**	15,666
Gross profit	**12,224**	12,446
Loss before tax	**(2,524)**	(782)
Loss for the year attributable to owners of the Company	**(2,502)**	(2,546)

Consolidated Statement of Financial Position Highlights

	2018	2017
	US$'000	*US$'000*
Total assets	**50,836**	24,593
Total liabilities	**7,003**	5,157
Net assets	**43,833**	19,436
Total equity	**43,833**	19,436

The Board of Directors (the "Board") of Vobile Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended December 31, 2018, together with the comparative figures for the year ended December 31, 2017 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2018

	Notes	2018 US$'000	2017 US$'000
REVENUE	4	**15,225**	15,666
Cost of services provided		**(3,001)**	(3,220)
Gross profit		**12,224**	12,446
Other income and gains	4	**262**	43
Selling and marketing expenses		**(5,687)**	(4,482)
Administrative expenses		**(7,563)**	(6,977)
Research and development expenses		**(1,577)**	(1,637)
Other expenses		**(183)**	(175)
LOSS BEFORE TAX	5	**(2,524)**	(782)
Income tax credit/(expense)	6	**22**	(1,764)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(2,502)**	(2,546)
OTHER COMPREHENSIVE LOSS			
Exchange differences on translation of foreign operations		**(565)**	(5)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(565)**	(5)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(3,067)**	(2,551)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY AND PREFERENCE EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (US cent)	8	**(0.59)**	(0.76)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	Notes	2018 US$'000	2017 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**598**	410
Intangible assets		**5,340**	—
Goodwill		**13,622**	6,839
Deferred tax assets		**2,376**	2,585
Prepayments		**167**	405
Total non-current assets		**22,103**	10,239
CURRENT ASSETS			
Trade receivables	*9*	**8,156**	6,132
Prepayments, deposits and other receivables		**2,556**	2,191
Tax recoverable		**380**	—
Cash and cash equivalents		**17,641**	6,031
Total current assets		**28,733**	14,354
CURRENT LIABILITIES			
Trade payables	*10*	**2,618**	1,702
Other payables and accruals		**4,385**	3,455
Total current liabilities		**7,003**	5,157
NET CURRENT ASSETS		**21,730**	9,197
Net assets		**43,833**	19,436
EQUITY			
Share capital		**42**	8
Reserves		**43,791**	19,428
Total equity		**43,833**	19,436

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

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

The Company is an investment holding company. During the year, 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 "Stock Exchange") on January 4, 2018.

2.1 BASIS OF PREPARATION

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to IFRS 1 and IAS 28

Except for the amendments to IFRS 2, amendments to IFRS 4, amendments to IAS 40, IFRIC 22 and *Annual Improvements 2014–2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) 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.

There is no significant impact on the Group's financial position and financial result upon initial application at January 1, 2018. Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

Classification and measurement

IFRS 9 categorizes financial assets into three principal classification categories: measured at amortized cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under IFRS 9, the classification for all of the Group's financial assets and financial liabilities measured at amortized cost remains the same. The carrying amounts for all financial assets and financial liabilities at January 1, 2018 have not been impacted by the initial application of IFRS 9.

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 applied the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group applied the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.

(b) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. 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. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

There has been no significant impact on the Group's financial position and financial result upon initial application at January 1, 2018. Comparative information continues to be reported under IAS 11 and IAS 18.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

[1] Effective for annual periods beginning on or after January 1, 2019
[2] Effective for annual periods beginning on or after January 1, 2020
[3] Effective for annual periods beginning on or after January 1, 2021
[4] No mandatory effective date yet determined but available for early adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Except for IFRS 16 as described below, the directors of the Group considered that the application of the other new and revised IFRSs will not have material impacts on the Group's consolidated financial results.

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 elective 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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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 leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from January 1, 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognize the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at January 1, 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group considers that the adoption of IFRS 16 will primarily affect the Group's accounting treatment as a lessee of leases which are currently classified as operating leases. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets of US$1,777,000 and lease liabilities of US$1,777,000 will be recognized at January 1, 2019.

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 thereof is presented.

Geographical information

(a) ***Revenue from external customers***

	2018	2017
	US$'000	*US$'000*
United States	**14,269**	14,773
Japan	**764**	657
Mainland China	**113**	75
Others	**79**	161
	15,225	15,666

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

(b) ***Non-current assets***

Majority of significant non-current assets of the Group are located in the United States. Accordingly, no geographical information of segment assets is presented.

Information about major customer

During the years ended December 31, 2018 and 2017, there was no customer with whom transactions exceeded 10% of the Group's revenue.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered during the year.

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

	2018	2017
	US$'000	*US$'000*
Revenue		
Rendering of services	**15,225**	15,666
Other income and gains		
Interest income	**224**	1
Foreign exchange gain	**35**	42
Others	**3**	—
	262	43

5. LOSS BEFORE TAX

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

	2018	2017
	US$'000	*US$'000*
Cost of services provided	**3,001**	3,220
Employee benefit expense (excluding Directors and chief executive's remuneration):		
Wages and salaries	**5,279**	5,435
Equity-settled share option expense	**86**	99
Other benefits	**393**	318
Pension scheme contributions	**15**	4
	5,773	5,856
Depreciation of items of property, plant and equipment	**262**	232
Minimum lease payments under operating leases	**1,108**	543
Impairment of trade receivables, net	**(13)**	39
Research and development expenses	**1,577**	1,645
Auditor's remuneration		
— Statutory audit	**240**	148
— Listing fees expensed off	**—**	595
Other listing fees expensed off	**377**	3,919
Foreign exchange differences, net	**92**	(34)

6. INCOME TAX (CREDIT)/EXPENSE

Income tax consists primarily of the United States, Hong Kong and Japan enterprise income tax charged on the Group. United States income tax applicable to the Group is charged at the federal tax rate of 21% (2017: 34%) for the year ended December 31, 2018. The income tax applicable to Hong Kong profits was provided at a statutory tax rate of 16.5% during the year ended December 31, 2018. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. The major components of income tax (credit)/expense for the year are as follows:

	2018	2017
	US$'000	*US$'000*
Current — United States		
Charge for the year	**(252)**	41
Current — Hong Kong		
Charge for the year	**1**	1
Current — Japan		
Charge for the year	**20**	2
Deferred tax expenses from change in federal tax rate resulted from the TCJA	**492**	1,130
Deferred tax (credit)/expenses — Others	**(283)**	590
Total tax (credit)/expense for the year	**(22)**	1,764

7. DIVIDEND

The Board does not recommend payment of any dividend for the year ended December 31, 2018 (2017: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 423,640,015 (2017: 333,174,536) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended December 31, 2018 and 2017 in respect of a dilution as the impact of the share option scheme had an anti-dilutive effect on the basic earnings loss per share amounts presented.

The calculations of loss per share attributable to ordinary and preference equity holders of the Company for each of the years ended December 31, 2018 and 2017 are based on the following data:

	2018	2017
	US$'000	*US$'000*
Loss		
Loss attributable to ordinary and preference equity holders of the Company, used in the basic and diluted loss per share calculation	**(2,502)**	(2,546)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**423,640,015**	333,174,536
Effect of dilution — Weighted average number of ordinary shares — Share options	**9,678,328**	6,454,664
	433,318,343*	339,629,200

Because the diluted loss per share amount is decreased when taking share options into account, the share options had an anti-dilutive effect on the basic loss per share for the year and were ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amounts are based on the loss for the year of US$2,502,000, and the weighted average number of ordinary shares of 423,640,015 in issue during the year.

9. TRADE RECEIVABLES

	2018	2017
	US$'000	*US$'000*
Trade receivables	**8,191**	6,180
Impairment	**(35)**	(48)
	8,156	6,132

The Group's trading terms with its debtors are usually 10 to 60 days. The Group always recognizes lifetime ECL for all trade receivables and measures the lifetime ECL on a specific basis according to management's assessment of the recoverability of an individual receivable. Management considers the number of days that an individual receivable is outstanding, historical experience and forward-looking information to determine the recoverability of the trade receivable. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are unsecured and non-interest-bearing.

An ageing analysis of the current trade receivables as at December 31, 2018, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	US$'000	*US$'000*
Within 90 days	**3,675**	3,718
91 to 180 days	**1,345**	1,670
181 to 365 days	**2,106**	744
Over 365 days	**1,030**	—
	8,156	6,132

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

	2018	2017
	US$'000	*US$'000*
At beginning of year	**48**	40
Impairment losses, net	**(13)**	8
At end of year	**35**	48

Impairment under IFRS 9 for the year ended December 31, 2018

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

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

As at December 31, 2018

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

Impairment under IAS 39 for the year ended December 31, 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under IAS 39, as at December 31, 2017 was a provision for the impaired trade receivables of US$48,000 with a carrying amount before provision of US$48,000.

The ageing analysis of the current trade receivables as at December 31, 2017 that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

	2017
	US$'000
Neither past due nor impaired	4,333
Within 90 days	1,520
91 to 180 days	279
181 to 365 days	—
	6,132

Receivables that were neither past due nor impaired related to a large number of diversified customers 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 had a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

10. TRADE PAYABLES

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

	2018	2017
	US$'000	*US$'000*
Within 90 days	**2,618**	1,702

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 2018, we progressed on our strategies to further strengthen our global leadership position in online video content protection, with the objective of deploying and growing our innovative online video distribution platform through a revenue-sharing model. Our customers include some of the world's largest film studios, including the top seven global- along with many other — film studios, TV networks and other content owners. Through our proprietary software platforms, we help our customers protect their content from unauthorized use and monetize their content by enabling revenue-sharing for, or in connection with, the distribution of their video content. In addition, we offer content measurement platforms to help our customers measure the viewership of their content. Our business model can be categorized as:

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

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

Subscription-based SaaS Business

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

Content protection platforms

Our content protection platforms consist primarily of VideoTracker and MediaWise. VideoTracker provides critical protection to ensure exclusive delivery of premium content to theaters, set-top-boxes and smart devices worldwide. MediaWise enables publishers to manage digital media content to eliminate copyright infringements and help increase business opportunities. In today's content distribution market, rights 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 are committed to investing in new capabilities based on our VDNA technology, including our VDNA algorithm and video search and discovery capability, to offer comprehensive content protection solutions covering almost all existing and emerging methods to redistribute potentially infringing content, and increase customer adoption of our content protection solutions.

We intend to acquire new customers and utilize economies of scale to increase our revenue and profit generating abilities for our content protection service. We also intend to expand the use of our services by our existing customers. For example, we believe there are opportunities for our current customers to elect to have us protect more of their content, and to leverage Vobile to search for potentially infringing content on additional content-sharing platforms.

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

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

Content measurement platforms

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

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

Transaction-based SaaS Business

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

Online PPT platforms

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

Our second online PPT platform, TVOD PPT platform, facilitates online video distribution using a revenue-sharing model to online video sites that offer access to content on a rental or sell-through basis. We intend to grow our TVOD PPT platform and business by obtaining licensing rights to high-quality, long-form video content, and support the offering with our proprietary advanced measurement and auditing capabilities. We are developing partnerships that will result in a network of online video sites that will offer our licensed video content to end user consumers. Under this business model, content owners and online video sites are able to benefit from the monetization of entertainment studio library content in a new distribution channel, while assuming little to no business risk because of Vobile's underlying content protection and measurement capabilities.

Industry Outlook and the Group's Strategies

The advancement of video distribution technology and content digitization is a powerful force driving the online video entertainment market, providing consumers with abundant choice, easy access and flexible pricing models. The global video entertainment market size is estimated to grow from approximately US$551 billion in 2018 to approximately US$633 billion in 2021. We further believe the global online video entertainment market will grow from approximately US$45 billion in 2018 to US$87 billion in 2021, representing a compound annual growth rate ("CAGR") of approximately 18%. In comparison, we expect the online video entertainment market in China will achieve a higher CAGR of approximately 28% between 2018 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. Online video content protection service providers like Vobile protect video content that can help facilitate critical business functions, including content identification, copyright protection and data intelligence. Online video distributors typically must commit large upfront guaranteed fees to license copyrighted content. Our TVOD platform uses a revenue-sharing model that enables these distributors to access content without upfront guarantees, instead sharing a portion of revenue generated from advertisement (AVOD) and/or consumer pay-per-view fees (TVOD). Due to the inherently lower cost and lower financial risk, the online video revenue-sharing model has achieved rapid expansion. Important to the proliferation of the TVOD model is the application of video measurement technology which measures video advertising performance and audience information. Operators are therefore devoting more attention to building these capabilities into their platforms and we believe technologies like Vobile's are essential to the growth of the online video ecosystem.

We intend to capitalize on these favorable industry dynamics 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

Consolidated Statement of Profit or Loss and Other Comprehensive Income Highlights

	2018	2017
	US$'000	*US$'000*
Revenue	**15,225**	15,666
Gross profit	**12,224**	12,446
Loss before tax	**(2,524)**	(782)
Loss for the year attributable to owners of the Company	**(2,502)**	(2,546)

Revenue

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

	2018	2017
	US$'000	*US$'000*
Subscription-based SaaS business		
Content Protection	**10,002**	9,350
Content Measurement	**610**	474
Subtotal	**10,612**	9,824
Transaction-based SaaS business		
— Conventional PPT	**1,180**	1,994
— Online PPT	**3,433**	3,848
Subtotal	**4,613**	5,842
Total	**15,225**	15,666
Businesses other than conventional PPT business	**14,045**	13,672
Conventional PPT	**1,180**	1,994
Total	**15,225**	15,666

Our revenue in 2018 totaled US$15.2 million, representing a decrease of US$0.4 million as compared to 2017. The decrease was mainly attributable to the decrease in revenue from our Conventional PPT business from US$2.0 million in 2017 to US$1.2 million in 2018, which resulted from the change in consumers' consumption patterns from renting movies from video stores to renting movies online. Revenue from businesses other than conventional PPT business increased from US$13.7 million in 2017 to US$14.0 million in 2018.

Gross Profit and Gross Profit Margin

Our gross profit in 2018 amounted to US$12.2 million, representing a decrease of US$0.2 million as compared to 2017. This decline was mainly attributable to the decrease in gross profit from our Conventional PPT business from US$1.0 million in 2017 to US$0.4 million, in 2018 which resulted from the change in consumers' consumption patterns from renting movies from video stores to renting movies online. The gross profit from businesses other than conventional PPT business increased from US$11.4 million in 2017 to US$11.8 million in 2018.

Our gross profit margin increased from 79.4% in 2017 to 80.3% in 2018 as the proportion of revenue from businesses other than conventional PPT business increased.

Selling and Marketing Expenses

Our selling and marketing expenses in 2018 amounted to US$5.7 million, representing an increase of US$1.2 million as compared to 2017. The increase was mainly due to an increase in marketing activities performed in 2018, consistent with our plan to implement sales and marketing initiatives to expand our global customer base, upsell our existing customers, and cross-sell our customers with new products and services.

Administrative Expenses

Our administrative expenses in 2018 amounted to US$7.6 million, representing an increase of US$0.6 million as compared to 2017. The increase mainly due to the incurrence of transaction costs incurred for our acquisition of certain assets from IP-Echelon in November 2018.

Research and Development Expenses

Our research and development expenses remained stable at US$1.6 million for both 2017 and 2018.

Income Tax Credit/(Expense)

On December 22, 2017, the US tax reform legislation, the "Tax Cuts and Jobs Act", was enacted, with most of the changes introduced effective beginning January 1, 2018. Due to the decrease in the statutory tax rate in the US, we incurred a one-time tax expense deferral of US$1.1 million in 2018. Despite this expense deferral, we believe that the reduction in the US statutory tax rate will positively impact our future earnings in the long term.

Our income tax credit for the year ended December 31, 2018 was mainly comprised of an over-provision of income tax in the prior years totaling US$0.3 million, offset by deferred tax expense of US$0.2 million.

Loss for the Year Attributable to Owners of the Company

The loss attributable to owners of the Company for 2018 remained stable at US$2.5 million as we incurred transaction costs for acquiring certain assets from IP-Echelon in 2018 and increased our sales and marketing expenses in order to expand our customer base.

Basic and diluted loss per share for 2018 is approximately US0.59 cent (2017: approximately US0.76 cent).

Dividend

The Board does not recommend any payment of dividends for 2018 (2017: nil).

Consolidated Statement of Financial Position Highlights

	2018	2017
	US$'000	*US$'000*
Total assets	**50,836**	24,593
Total liabilities	**7,003**	5,157
Net assets	**43,833**	19,436
Total equity	**43,833**	19,436

Goodwill

Our goodwill amounted to US$13.6 million as at December 31, 2018, representing an increase of US$6.8 million as compared to December 31, 2017. The increase was attributable to the acquisition of certain assets from IP-Echelon in 2018.

Intangible Assets

Our intangible assets amounted to US$5.3 million as at December 31, 2018. The increase was mainly attributable to development costs incurred in 2018, consistent with our plan to expand research and development capabilities.

LIQUIDITY AND FINANCIAL RESOURCES

Working Capital

As of December 31, 2018, our cash and cash equivalents amounted to US$17.6 million, an increase of 193% or US$11.6 million. The increase was primarily due to the receipt of net proceeds from our global offering of US$21.3 million, offset by utilization of US$8.8 million in offering proceeds. As of December 31, 2018, our current assets amounted to US$28.7 million, including US$17.6 million of cash and cash equivalents and other current assets of US$11.1 million. Our current liabilities amounted to US$7.0 million, of which US$2.6 million was trade payables. As of December 31, 2018, our current ratio, which is equivalent to the current assets divided by the current liabilities, was 4.1 times as compared with 2.8 times as at December 31, 2017.

Significant Investments, Acquisitions and Disposal

Except for the acquisition of certain assets from IP-Echelon in November 2018 we did not make significant investments. For details, please refer to the announcements dated November 6, 2018 and November 19, 2018 on the respective websites of the Hong Kong Stock Exchange and the Company.

We did not have any material disposal during 2018.

Capital Expenditures

Our capital expenditures primarily included purchases of property, plant and equipment and incurrence of development costs, which will be capitalized as intangible assets. The amount of our capital expenditures in 2018 was US$5.8 million.

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

As of December 31, 2018 and the date of this announcement, 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 December 31, 2018.

Foreign exchange exposure

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

Gearing ratio

As of December 31, 2018, we did not have any bank borrowings, and therefore gearing ratio was not applicable to our Group.

Financial Instruments

Our major financial instruments include trade receivables, other receivables excluding prepayments, amounts due from related parties, cash and cash equivalents, borrowings, trade payables, other payables excluding non-financial liabilities, amounts due to related parties, convertible preferred shares and other non-current liabilities.

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

Use of Proceeds from IPO

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

As of December 31, 2018, the Company's total amount of proceeds used was approximately US$8.8 million, and the remaining net balance of proceeds was approximately US$12.5 million, which were being kept at the bank accounts of the Group as at December 31, 2018.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2018, we employed a total of 71 staff (as at December 31, 2017: 60 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.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2018.

PUBLICATION OF ANNUAL REPORT

The 2018 annual report of the Company and the notice of the annual general meeting will be dispatched to the shareholders of the Company and published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.vobilegroup.com) in due course.

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 Company has applied the principles as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules") which are applicable to the Company.

In the opinion of the Directors, the Company has complied with all applicable code provisions as set out in the Code during the year ended December 31, 2018, 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 is instrumental to our growth and business expansion since our establishment in 2005. Our Board considers that the roles of chairman and chief executive officer being vested in the same person is beneficial to the business prospects, management and overall strategic direction of our Group by ensuring consistent leadership within our Group and facilitating more effective and efficient overall strategic planning and decision-making for our Group. After considering all the corporate governance measures that have been taken, the Board considers that the balance of power and authority will not be impaired by the present arrangement and the current structure will enable the Company to make and implement decisions more promptly and effectively. Thus, the Company does not segregate the roles of Chairman and Chief Executive Officer.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended December 31, 2018.

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 year ended December 31, 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.

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

During the year ended December 31, 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

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 annual results of the Group for the year ended December 31, 2018 and has recommended for the Board's approval thereof.

SCOPE OF WORK ON THE RESULTS ANNOUNCEMENT BY AUDITORS

The figures in respect of the Group's consolidated statement of financial position as at December 31, 2018 and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2018 as set out in this results announcement have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.vobilegroup.com). The Company will dispatch in due course to the Shareholders the 2018 annual report containing all the information as required by the Listing Rules and publish it on the above websites.

By Order of the Board
Vobile Group Limited
Yangbin Bernard Wang
Chairman, Executive Director
and Chief Executive Officer

Hong Kong, March 28, 2019

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.