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, 2017

FINANCIAL HIGHLIGHTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income Highlights

	2017	2016
	US$'000	*US$'000*
Revenue	**15,666**	16,794
Gross profit	**12,446**	13,276
(Loss)/profit before tax	**(782)**	3,974
(Loss)/profit for the year attributable to owners of the Company	**(2,546)**	2,838

The following table reconciles our adjusted net profit for the year 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.

	2017	2016
	US$'000	*US$'000*
(Loss)/profit for the year attributable to owners of the Company	**(2,546)**	2,838
Add: Listing expenses, net of tax	**4,497**	596
Add: One-off deferred tax expenses	**1,130**	—
Adjusted net profit	**3,081**	3,434

Consolidated Statement of Financial Position Highlights

	2017	2016
	US$'000	*US$'000*
Total assets	**24,593**	25,083
Total liabilities	**5,157**	3,321
Net assets	**19,436**	21,762
Total equity	**19,436**	21,762

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, 2017, together with the comparative figures for the year ended December 31, 2016 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2017

	Notes	**2017** **US$'000**	2016 US$'000
REVENUE	*4*	**15,666**	16,794
Cost of services provided		**(3,220)**	(3,518)
Gross profit		**12,446**	13,276
Other income and gains	*4*	**43**	111
Selling and marketing expenses		**(4,482)**	(5,085)
Administrative expenses		**(6,977)**	(2,897)
Including: Listing fee expensed off		***(4,514)***	*(976)*
Research and development expenses		**(1,637)**	(1,260)
Other expenses		**(175)**	(171)
(LOSS)/PROFIT BEFORE TAX	*5*	**(782)**	3,974
Income tax expense	*6*	**(1,764)**	(1,136)
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(2,546)**	2,838
OTHER COMPREHENSIVE LOSS			
Exchange differences on translation of foreign operations		**(5)**	(7)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(5)**	(7)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(2,551)**	2,831
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY AND PREFERENCE EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (US cents)	*8*	**(0.76)**	1.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

	Notes	2017 US$'000	2016 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**410**	628
Goodwill		**6,839**	6,839
Deferred tax assets		**2,585**	4,305
Prepayments		**405**	395
Total non-current assets		**10,239**	12,167
CURRENT ASSETS			
Trade receivables	*9*	**6,132**	4,071
Prepayments, deposits and other receivables		**2,191**	1,706
Cash and cash equivalents		**6,031**	7,139
Total current assets		**14,354**	12,916
CURRENT LIABILITIES			
Trade payables	*10*	**1,702**	1,523
Other payables and accruals		**3,455**	1,700
Finance lease payables		**—**	1
Tax payable		**—**	97
Total current liabilities		**5,157**	3,321
NET CURRENT ASSETS		**9,197**	9,595
Net assets		**19,436**	21,762
EQUITY			
Share capital		**8**	8
Reserves		**19,428**	21,754
Total equity		**19,436**	21,762

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 located at P.O. Box 472, 2nd Floor, 103 South Church Street, Harbour Place, George Town, Grand Cayman KY1-1106, Cayman Islands.

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

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

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 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 1 included in *Annual Improvements 2014–2016 Cycle*	*First-time Adoption of International Financial Reporting Standards*[1]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 3 included in *Annual Improvements 2015–2017 Cycle*	*Business Combinations*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 11 included in *Annual Improvements 2015–2017 Cycle*	*Joint Arrangements*[2]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]

Amendments to IAS 12 included in *Annual Improvements 2015–2017 Cycle*	*Income Taxes*[2]
Amendments to IAS 19	*Employee Benefits*[2]
Amendments to IAS 23 included in *Annual Improvements 2015–2017 Cycle*	*Borrowing Costs*[2]
Amendments to IAS 28 included in *Annual Improvements 2014–2016 Cycle*	*Investments in Associates and Joint Ventures*[1]
Amendments to IAS 40	*Transfers of Investment Property*[1]

1 Effective for annual periods beginning on or after January 1, 2018
2 Effective for annual periods beginning on or after January 1, 2019
3 Effective for annual periods beginning on or after January 1, 2021
4 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 amortized cost all financial assets currently measured at amortized cost.

(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.

Except for the potential early recognition of credit losses based on the expected credit loss model in relation to the Group's financial assets measured at amortized costs, the Group does not expect that the adoption of IFRS 9 will have a significant impact on the Group's financial performance and financial position, including the measurement of financial assets and disclosures.

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.

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 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.

As at December 31, 2017, the Group had undiscounted operating lease commitments of US$1,783,000. The Directors do not expect the adoption of IFRS 16 would result in a significant impact on the Group's results but it is expected that a 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.

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***

	2017	2016
	US$'000	*US$'000*
United States	**14,773**	15,999
Japan	**657**	639
Hong Kong	**161**	156
Mainland China	**75**	—
	15,666	16,794

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 year are as follows:

	2017	2016
	US$'000	*US$'000*
Customer A	**N/A***	1,815

* Less than 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:

	2017	2016
	US$'000	*US$'000*
Revenue		
Rendering of services	**15,666**	16,794
Other income and gains		
Interest income	**1**	2
Foreign exchange gain	**42**	45
Others	**—**	64
	43	111

5. (LOSS)/PROFIT BEFORE TAX

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

	2017	2016
	US$'000	*US$'000*
Cost of services provided	**3,220**	3,518
Employee benefit expense (excluding Directors and chief executive's remuneration):		
Wages and salaries	**5,435**	4,978
Equity-settled share option expense	**99**	39
Other benefits	**318**	376
Pension scheme contributions	**4**	2
	5,856	5,395
Depreciation of items of property, plant and equipment	**232**	238
Amortization of other intangible assets	**—**	50
Minimum lease payments under operating leases	**543**	440
Impairment of trade receivables	**39**	18
Research and development expenses	**1,645**	1,260
Auditor's remuneration		
— Statutory audit	**148**	1
— Listing fees expensed off	**595**	116
Other listing fees expensed off	**3,919**	860
Foreign exchange differences, net	**(34)**	(46)

6. 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%. The income tax applicable to Hong Kong profits was provided at a statutory tax rate of 16.5% during the year ended December 31, 2017. The major components of income tax expense for the year are as follows:

	2017	2016
	US$'000	*US$'000*
Current — United States		
Charge for the year	**41**	11
Current — Hong Kong		
Charge for the year	**1**	4
Current — Japan		
Charge for the year	**2**	1
Deferred tax expenses from change in federal tax rate resulted from the TCJA*	**1,130**	—
Deferred tax expenses — Others	**590**	1,120
Total tax expenses for the year	**1,764**	1,136

* The Company remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 27.39%. Additionally, given the significant changes included in the Tax Cuts and Jobs Act (the "TCJA"), the Company re-evaluated the realizability of certain deferred tax assets, including foreign tax credits and interest deferral, and determined that valuation allowances needed to be adjusted. The Company is still analyzing certain aspects of the TCJA, including interpretations by state and local tax authorities, and additional Treasury guidance may be issued which could potentially affect the measurement of these balances or give rise to new deferred tax amounts. The Company recorded a provisional US$1,130,000 tax loss for the remeasurement of deferred tax balances and related valuation allowances.

7. DIVIDEND

The Board does not recommend payment of any dividend for the year ended December 31, 2017 (2016: Nil).

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

As of December 31, 2017, the Company had 32,199,429 ordinary shares and 51,094,205 preference shares in issue; all of the preference shares have been converted automatically into ordinary shares upon the closing of the initial public offering on January 4, 2018. On January 4, 2018, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited by way of issuing 80,000,000 new shares and capitalization issue of 249,880,902 new shares, resulting in 413,174,536 ordinary shares and preference shares in issue. The Company capitalized an amount of approximately US$24,988 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full of 249,880,902 shares for allotment and issue to the shareholders as of January 4, 2018. On January 19, 2018, a total number of 11,700,000 shares were issued by the Company at HK$2.58 per share upon the exercise of over-allotment share option granted to the relevant underwriter in connection with the Global Offering. The additional gross proceeds received by the Company in connection with the over-allotment share issue were approximately HK$30,186,000 (equivalent to approximately US$3,861,000).

The calculations of (loss)/earnings per share attributable to ordinary and preference equity holders of the Company for each of the years ended December 31, 2017 and 2016 are based on the following data:

	2017	2016
	US$'000	*US$'000*
(Loss)/earnings		
(Loss)/profit attributable to ordinary and preference equity holders of the Company, used in the basic (loss)/earnings per share calculations	**(2,546)**	2,838
Number of shares		
Number of issued shares on January 1,	**83,293,634**	1,000
Effect of shares split on December 2, 2016	**—**	99,000
Effect of shares issued on December 2, 2016	**—**	6,819,150
Effect of Capitalization Issue on January 4, 2018	**249,880,902**	249,880,902
Number of shares for the purpose of basic (loss)/earnings per share calculations	**333,174,536**	256,800,052

Basic loss per share for the year ended December 31, 2017 amounted to US0.76 cent (2016: basic earnings per share of US1.11 cents) per share. The number of ordinary shares for the purpose of calculating basic (loss)/earnings per share for the years ended December 31, 2017 and 2016 have been retrospectively adjusted for the capitalization issue of the shares of the Company completed on January 4, 2018.

No adjustment has been made to the basic loss per share amounts presented for the year ended December 31, 2017 in respect of a dilution as the impact of the options outstanding had an anti-dilutive effect on the basic loss per share amounts presented. The Group had no potentially dilutive ordinary shares in issue during the year ended December 31, 2016.

9. TRADE RECEIVABLES

	2017	2016
	US$'000	*US$'000*
Trade receivables	**6,180**	4,111
Impairment	**(48)**	(40)
	6,132	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, 2017, based on the invoice date and net of provisions, is as follows:

	2017	2016
	US$'000	*US$'000*
Within 90 days	**3,718**	4,047
91 to 180 days	**1,670**	13
181 to 365 days	**744**	11
	6,132	4,071

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

	2017	2016
	US$'000	*US$'000*
At beginning of year	**40**	49
Impairment losses recognized	**39**	18
Amount written off as uncollectible	**(31)**	(27)
At end of year	**48**	40

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

10. TRADE PAYABLES

	As at December 31,	
	2017	2016
	US$'000	*US$'000*
Within 90 days	**1,702**	1,523

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND PROSPECT

In 2017, 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 many 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 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 pay per transaction ("PPT") platform and online video distribution through our Online PPT platforms (including 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. 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 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 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. With our continuous effort of expanding and improving our AVOD PPT platform, revenue from AVOD PPT platform increased from US$1.3 million for 2016 to US$3.8 million.

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. In the second half of 2017, we have signed distribution agreements with seven content owner customers in the US and four online video sites in the People's Republic of China (the "PRC") for the TVOD PPT platform.

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$551 billion in 2017 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 will grow from approximately US$45 billion in 2017 to US$87 billion in 2021 at 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 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 help the protection of video content that can help facilitate critical business functions, including content identification, copyright protection and data intelligence. Online video sites usually need to spend large upfront guarantee fees to purchase copyright of content based on heavy negotiation. 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

Consolidated Statement of Profit or Loss and Other Comprehensive Income Highlights

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(Loss)/profit for the year attributable to owners of the Company	**(2,546)**	2,838

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Add: Listing expenses, net of tax	**4,497**	596
Add: One-off deferred tax expenses	**1,130**	—
Adjusted net profit	**3,081**	3,434

Revenue

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

	2017	2016
	US$'000	*US$'000*
Subscription-based SaaS business		
Content Protection	**9,350**	10,033
Content Measurement	**474**	408
Subtotal	**9,824**	10,441
Transaction-based SaaS business		
— Conventional PPT	**1,994**	5,010
— Online PPT	**3,848**	1,343
Subtotal	**5,842**	6,353
Total	**15,666**	16,794
Non-conventional PPT	**13,672**	11,784
Conventional PPT	**1,994**	5,010
Total	**15,666**	16,794

Our revenue in 2017 amounted to US$15.7 million, representing a decrease of 6.7% or US$1.1 million as compared to 2016. Such decrease was mainly attributable to the decrease in revenue from our Conventional PPT business from US$5.0 million in 2016 to US$2.0 million in 2017 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$11.8 million in 2016 to US$13.7 million in 2017.

Gross Profit and Gross Profit Margin

Our gross profit in 2017 amounted to US$12.4 million, representing a decrease of 6.3% or US$0.8 million as compared to 2016. This was mainly attributed to the decrease in gross profit from our Conventional PPT business from US$3.2 million in 2016 to US$1.0 million in 2017 which resulted from the change in consumers' consumption patterns from renting movies from video stores to renting movies online. On the other hand, the gross profit from non-Conventional PPT business increased from US$10.1 million in 2016 to US$11.5 million in 2017.

Our gross profit margin remained stable at 79.4% in 2017 as compared to 79.1% in 2016.

Selling and marketing expenses

Our selling and marketing expenses in 2017 amounted to US$4.5 million, representing a decrease of 11.9% or US$0.6 million as compared to 2016. The decrease was mainly due to a decrease in marketing activities performed in 2017.

Administrative expenses

Our administrative expenses in 2017 amounted to US$7.0 million, representing an increase of 140.8% or US$4.1 million as compared to 2016. The increase mainly due to incurrence of listing expenses of US$4.5 million.

Research and development expenses

Our research and development expenses increased from US$1.3 million in 2016 to US$1.6 million in 2017, representing an increase of 29.9%, which primarily due to the research and development expenses spent for our Online PPT platforms.

Income tax expense

On December 22, 2017, the US tax reform legislation, the Tax Cuts and Jobs Act was signed into law and enacted with most of the changes introduced by the bill went into effect on January 1, 2018. Due to the decrease in the statutory tax rate in the US, we made a one-off deferred tax expenses of US$1.1 million in 2017. Although there was a one-off deferred tax expenses incurred in 2017, we believe that such reduction in statutory rate of the US corporate income tax will positively impact our future earnings in the long term.

Our income tax expenses mainly comprised of deferred tax expense resulted from the utilization of tax losses in the US of US$0.6 million and one-off deferred tax expenses of US$1.1 million due to the tax reform in the US.

(Loss)/profit for the year attributable to owners of the Company

The loss attributable to owners of the Company for 2017 was US$2.5 million (2016: profit of US$2.8 million). For 2017, the Group recorded listing expenses, net of tax, of US$4.5 million, and the one-off deferred tax expenses of US$1.1 million. Excluding the listing expenses and one-off deferred tax expenses, our adjusted net profit was US$3.1 million for 2017 (2016: US$3.4 million).

Basic and diluted loss per share for 2017 is approximately US0.76 cent (2016: earnings of approximately US1.11 cents). Excluding the one-off listing expenses, net of tax and deferred tax expenses, the adjusted basis earnings per share for 2017 is approximately US0.92 cent (2016: US1.34 cents) and the adjusted diluted earnings per share is approximately US0.90 cent (2016: US1.34 cents). The Board does not recommend any payment of dividends for 2017 (2016: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

Working Capital

As at December 31, 2017, our cash and cash equivalents amounted to US$6.0 million, decrease by 15.5% or US$1.1 million. The decrease was primarily due to the payment of listing expenses in 2017. As at December 31, 2017, our current assets amounted to US$14.4 million, including US$6.0 million of cash and cash equivalents and other current assets of US$8.4 million. Our current liabilities amounted to US$5.2 million, of which US$1.7 million was trade payables. As at December 31, 2017, our current ratio, which is equivalent to the current assets divided by the current liabilities, was 2.8 as compared with 3.9 as at December 31, 2016.

Significant investments, Acquisitions and Disposal

We did not make any significant investments during 2017.

We did not have any material acquisition or disposal during 2017.

Capital Expenditures

Our capital expenditure primarily include expenditure for purchase of property, plant and equipment. The amount of our capital expenditures in 2017 was US$19,000.

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

As at December 31, 2017 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, 2017.

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 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.

Since the listing of the Company and up to the date of this announcement, the proceeds from the listing were not applied for any use.

Foreign exchange exposure

Our transactions are mainly settled in United States 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.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2017, we employed a total of 60 staff (as at December 31, 2016: 62 staff), with 54 employees in the US, 3 employees in Hong Kong, and 3 employees in Japan. 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, 2017.

PUBLICATION OF ANNUAL REPORT

The 2017 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 shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on January 4, 2018 (the "Listing Date"), which is after the year end of December 31, 2017. 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 (the "Code") as set out 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.

Code provisions A.1.1 and C.3.3 respectively provide that board meetings should be held at least four times a year at approximately quarterly intervals with a majority of directors being present and the Audit Committee must meet at least twice a year with the issuer's auditors. The Shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on the Listing Date. The Company held 4 board meetings, and members of the Audit Committee did not meet with the Company's auditors during the year ended December 31, 2017, the end of which is prior to the Listing Date. During the period from the Listing Date up to the date of this announcement, the Audit Committee has had one meeting with the auditor of the Company to discuss the annual audit for the year ended December 31, 2017. In the opinion of the Directors, during the period from the Listing Date up to the date of this announcement, the Company has complied with all applicable code provisions as set out in the Code, save and except for code provision A.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. 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, 2017.

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).

As the Company was not listed on the Stock Exchange of Hong Kong Limited as of December 31, 2017, related rules under the Listing Rules concerning the Model Code that Directors shall observe do not apply to the Company for the year ended December 31, 2017. 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 from the Listing Date to the date of this announcement. 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 period from the Listing Date up to the date of this announcement, 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, 2017 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, 2017 and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2017 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.

SUBSEQUENT EVENTS

On January 4, 2018, the Shares of the Company became listed on the Main Board of the Stock Exchange of Hong Kong Limited. The Prospectus dated December 19, 2017 was published on the Company's website (www.vobilegroup.com) and the Hong Kong Stock Exchange (www.hkexnews.hk).

On January 19, 2018, the Over-Allotment Option (as defined in the Prospectus) was partially exercised. On January 24, 2017, the Over-Allotment Shares became listed on the Main Board of the Stock Exchange of Hong Kong Limited.

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 2017 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, 2018

As at the date of this announcement, the Board comprises Mr. Yangbin Bernard WANG, Mr. Michael Paul WITTE and Mr. Xianming ZHU 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.