



2019

INTERIM REPORT

Mobvista.

匯量科技有限公司

Mobvista Inc.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1860

CONTENTS

Corporate Information	2
Financial Highlights	3
Business Highlights	4
Business Review	5
Management Discussion and Analysis	7
Unaudited Interim Financial Information	
Review Report	18
Consolidated Statement of Profit or Loss	19
Consolidated Statement of Profit or Loss and Other Comprehensive Income	20
Consolidated Statement of Financial Position	21
Consolidated Statement of Changes in Equity	23
Condensed Consolidated Cash Flow Statement	25
Notes to the Unaudited Interim Financial Report	26
Other Information	48
Definition	55

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. DUAN Wei
(chairman and chief executive officer)
Mr. CAO Xiaohuan *(president)*
Mr. FANG Zikai
Mr. XI Yuan
(resigned from director position on 26 July 2019)

Independent Non-executive Directors

Mr. YING Lei
Mr. HU Jie
Mr. WANG Jianxin

JOINT COMPANY SECRETARIES

Mr. QIAN Cheng
Ms. SO Shuk Yi Betty

AUTHORISED REPRESENTATIVES

Mr. CAO Xiaohuan
Ms. SO Shuk Yi Betty

AUDIT COMMITTEE

Mr. WANG Jianxin *(Chairman)*
Mr. YING Lei
Mr. HU Jie

REMUNERATION COMMITTEE

Mr. YING Lei *(Chairman)*
Mr. CAO Xiaohuan
Mr. HU Jie

NOMINATION COMMITTEE

Mr. DUAN Wei *(Chairman)*
Mr. YING Lei
Mr. HU Jie

AUDITOR

KPMG

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10 Chater Road
Central
Hong Kong

HEADQUARTERS

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Tianying Plaza (East Tower)
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Guangdong Province,
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL OFFICE IN THE CAYMAN ISLANDS

P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL BANKERS

**The Hong Kong and Shanghai Banking
Corporation Limited**
1 Queen's Road Central
Hong Kong

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
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HONG KONG LEGAL ADVISER

Ashurst

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1 Connaught Place
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. Box 1093
Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

**Computershare Hong Kong Investor Services
Limited**
Shops 1712-1716,
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

01860

COMPANY'S WEBSITE

www.mobvista.com

FINANCIAL HIGHLIGHTS

Six months ended 30 June

	2019 US\$'000 (Unaudited)	2018 US\$'000 (Audited)	YoY Change
Revenue	225,087	184,451	22.0%
Gross profit	50,140	39,280	27.7%
Profit for the period	7,588	10,131	-25.1%
Non-IFRS measures			
Adjusted EBITDA ⁽¹⁾	22,965	13,060	75.8%
Adjusted net profit ⁽²⁾	17,363	10,522	65.0%

Notes:

- (1) We define adjusted EBITDA as EBITDA (which is profit from operations plus depreciation and amortization expenses) for the period adjusted by adding share-based compensation expenses.
- (2) We define adjusted net profit as profit for the period plus share-based compensation expenses.

BUSINESS HIGHLIGHTS

Revenue



Adjusted Net Profit¹



Revenue of Programmatic Advertising



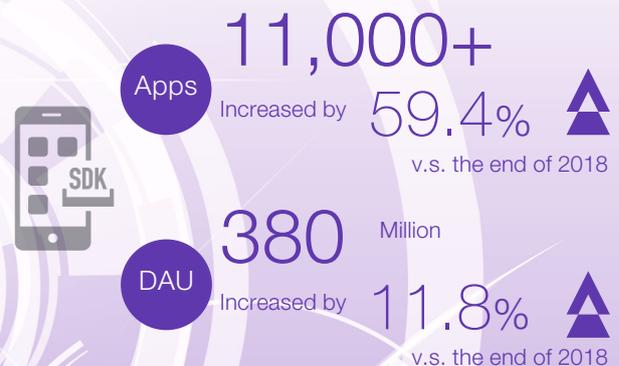
Server Cost of Programmatic Advertising



R&D Expenses



Apps² and DAU³ through Our Mintegral SDK



Notes:

¹ We define adjusted net profit as profit for the period plus share-based compensation expenses.

² We define Apps in this situation as cumulative number of apps that had integrated Mintegral SDK by the end of 30 June 2019.

³ We define DAU in this situation as DAU of SDK of apps which integrated with Mintegral SDK. Its calculation of DAU of SDK is to capture the daily average number in the first half of 2019.

We are a comprehensive technology platform that enables application (the “**app**”) developers worldwide to grow their user base, increase their advertising revenue and gain better insights into their users’ behaviour by providing services of user acquisition, user monetization and user behavior analytics. Nowadays, we primarily generate revenue by delivering performance-based advertising priced based on cost per install (“**CPI**”) to more than 2,500 app developers (who are advertisers) worldwide. Due to the increasing availability of high-quality traffic at scale, the evolving full-stack programmatic advertising products and the enhancing information technology (“**IT**”) infrastructure, we increased our brand awareness among advertisers and achieved growth in revenue by winning more programmatic advertising budgets. Our revenue increased by 22.0% year on year (“**YoY**”) to US\$225.1 million in the first half of 2019 from US\$184.5 million in the same period of 2018 and the growth for programmatic advertising services contributed 94.7% of our total revenue growth.

More and more mobile app developers are joining our platform as publishers and using our services to monetize the traffic generated in their media or apps developed by them. To capture the growing trend towards programmatic advertising by improving the traffic quality and growing our multidimensional media base, we have launched an Incentive Plan since 2018 to encourage high-quality publishers from key markets to integrate Mintegral SDK into their apps. In 2019, we followed this strategy in our key markets and continued to get benefit from it. On one hand, the number of apps integrated with our Mintegral SDK increased by 59.4% as of 30 June 2019 to more than 11,000, compared with the end of 2018. The number of app developers adopted our Mintegral SDK also increased to more than 2,440. On the other hand, advertising budget increased significantly due to the continuous increase of programmatic traffic, and revenue from our programmatic advertising business in the first half of 2019 increased by 43.7% to US\$126.8 million from US\$88.2 million in the same period of 2018.

Moreover, we focus on expanding the supply of programmatic traffic in Europe and America markets since 2019. Therefore, we will continue to implement the Incentive Plan in the second half of 2019. We have managed to reduce the cost stemming from the Incentive Plan. As a percentage of programmatic advertising revenue, cost from Incentive Plan has been narrowed to 7.5% in the first half of 2019 from 10.3% in the second half of 2018. We will cease the Incentive Plan at the end of 2019.

By delivering advertising campaigns to more mobile users through our mobile advertising services, the accumulation of user data will contribute to the development of technological capabilities in big data analytics and artificial intelligence (“**AI**”), and machine learning which improved the effectiveness of our advertising services. For the six months ended 30 June 2019, the average daily active user (“**DAU**”) of SDK (“**DAU of SDK**”) of apps which are integrated with Mintegral SDK was 380 million. Our mobile advertising business reached more than 1 billion independent mobile devices per day. At the same time, our mobile analytic services, which helps us to create in-depth user profiles, was used by more game app developers. The average DAU of SDK of apps of these games integrated with our mobile analytic services was more than 120 million.

Our persistent research and development (“**R&D**”) investment on IT infrastructure and programmatic advertising solutions are crucial to enhance our core competency. For the six months ended 30 June 2019, our R&D expenses increased by 39.4% to US\$17.1 million, compared with that in the same period of 2018. We crystalized our technological capabilities in data management, big data computing, large-scale machine learning and flexible cluster management into technology solutions such as Datatory, EnginePlus, MindAlpha and SpotMax.

Business Review

These technology solutions have been applied as a central technology platform, offering strong support to our business. For example, the server costs incurred by programmatic advertising services have been continuously reducing. Meanwhile, we are exploring business opportunities for our central technology platform to provide customers with technology solutions. We have officially joined the Amazon Web Services (“**AWS**”) Partner Network in July 2019 and launched these technology solutions towards AWS’s customers in AWS Marketplace in August this year. In the future, we will amplify our revenue source as we extend our business boundary and empower global app developers to optimize cost and realize business growth by offering them both savvy and comprehensive technology solutions through central technology platform.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

During the six months ended 30 June 2019, we recorded revenue of US\$225.1 million (2018: US\$184.5 million), which increased by 22.0% compared to that of the same period last year. The following table sets forth a breakdown of our revenue by type of services for the periods indicated:

	2019		2018		YoY Change
	US\$'000 (Unaudited)	% of Total Revenue (Unaudited)	US\$'000 (Audited)	% of Total Revenue (Audited)	
Mobile advertising revenue	225,087	100.0%	184,419	100.0%	22.1%
Games publishing revenue	—	0.0%	32	0.0%	—
Total	225,087	100.0%	184,451	100.0%	22.0%

We focused on mobile advertising services and maintained high revenue growth. During the six months ended 30 June 2019, all of our revenues were derived from mobile advertising services. Revenue from mobile advertising services increased by 22.1% YoY to US\$225.1 million (2018: US\$184.4 million).

The following table sets forth a breakdown of revenue from mobile advertising by purchasing model for the periods indicated:

	2019		2018		YoY Change
	US\$'000 (Unaudited)	% of Mobile Advertising Revenue (Unaudited)	US\$'000 (Unaudited)	% of Mobile Advertising Revenue (Unaudited)	
Programmatic	126,756	56.3%	88,234	47.8%	43.7%
Non-programmatic	98,331	43.7%	96,185	52.2%	2.2%
Total mobile advertising revenue	225,087	100.0%	184,419	100.0%	22.1%

Programmatic advertising has become the primary purchasing model in mobile advertising platform and the revenue generated from programmatic advertising services increased significantly. During the six months ended 30 June 2019, our programmatic advertising revenue maintained rapid growth and increased by 43.7% YoY to US\$126.8 million (2018: US\$88.2 million). Programmatic advertising has become the primary purchasing model of our mobile advertising platform, due to the increasing availability of high-quality traffic at scale, the evolving full-stack programmatic advertising products and our enhancing IT infrastructure. The revenue contribution from programmatic advertising rose to 56.3% in the first half of 2019 (2018: 47.8%), and accounted for 94.7% of the growth in the revenue from our mobile advertising business for the same period YoY.

Management Discussion and Analysis

Our revenue from non-programmatic advertising achieved growth as well. During the six months ended 30 June 2019, our revenue from non-programmatic advertising increased to US\$98.3 million (2018: US\$96.2 million).

The following table sets forth a breakdown of revenue from mobile advertising by geographic regions⁽¹⁾ for the periods indicated:

	2019		2018		YoY Change
	US\$'000 (Unaudited)	% of Mobile Advertising Revenue (Unaudited)	US\$'000 (Audited)	% of Mobile Advertising Revenue (Audited)	
Greater China region ⁽²⁾	132,602	58.9%	118,528	64.3%	11.9%
EMEA ⁽³⁾	34,288	15.2%	13,015	7.0%	163.4%
Asia Pacific ⁽⁴⁾	27,924	12.4%	25,035	13.6%	11.5%
Americas ⁽⁵⁾	21,347	9.5%	18,998	10.3%	12.4%
Rest of Asia ⁽⁶⁾	5,643	2.5%	5,595	3.0%	0.9%
Rest of the world	3,283	1.5%	3,248	1.8%	1.1%
Total mobile advertising revenue	225,087	100.0%	184,419	100.0%	22.1%

Notes:

- (1) The destinations in the table were classified according to locations of advertisers' headquarters.
- (2) Greater China region includes mainland China, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Chinese Taiwan.
- (3) EMEA primarily includes the United Kingdom, Switzerland, Germany, Saudi Arabia, Jordan, Egypt and Nigeria.
- (4) Asia Pacific primarily includes Southeast Asia, Japan, South Korea, Australia and New Zealand.
- (5) Americas primarily includes the United States, Canada, Mexico, Brazil, Argentina and Chile.
- (6) Rest of Asia primarily includes Central and South Asia.

The global expansion initiatives from mobile application developers in Greater China region and EMEA dominated the growth of our mobile advertising revenue. We earned most of our revenue by providing app developers from Greater China region and EMEA with user acquisition services in global markets. As the proportion of organic installations of mobile app continues to decline, the demand for mobile app developers to grow their user bases globally is increasing. App developers in Greater China region, EMEA, and the Americas are the main drivers of demand growth. During the six months ended 30 June 2019, we recorded the mobile advertising revenue from app developers in Greater China region of US\$132.6 million, accounting for 58.9% of our mobile advertising revenue. Among them, mobile advertising revenues from the EMEA increased significantly, by 163.4% to US\$34.3 million (2018: US\$13.0 million), and the mobile advertising revenue contribution rose to 15.2% (2018: 7.0%).

The following table sets forth a breakdown of revenue from mobile advertising by mobile app category for the periods indicated:

	2019		2018		YoY Change
	US\$'000 (Unaudited)	% of Mobile Advertising Revenue (Unaudited)	US\$'000 (Unaudited)	% of Mobile Advertising Revenue (Unaudited)	
Games	87,474	38.9%	39,514	21.4%	121.4%
Content and Social	47,000	20.9%	86,209	46.7%	-45.5%
E-commerce	35,759	15.9%	24,979	13.5%	43.2%
Lifestyle	22,965	10.2%	8,756	4.7%	162.3%
Utility	16,777	7.5%	11,561	6.3%	45.1%
Other	15,112	6.6%	13,400	7.4%	12.8%
Total mobile advertising revenue	225,087	100.0%	184,419	100.0%	22.1%

Our advertiser base is diversified in terms of app categories, with the advertising budget from game and lifestyle app developers being the main driver of our revenue growth. With abilities to provide in-depth insights about the global app market, our mobile advertising services were able to cover advertisers from different app categories. During the six months ended 30 June 2019, we achieved varying degrees of growth except for content and social apps. Among all the app categories, mobile advertising revenues from lifestyle, games and e-commerce apps increased by 162.3%, 121.4% and 43.2% on YoY basis respectively. They collectively achieved revenues of US\$146.2 million, accounting for 65.0% of mobile advertising revenue.

As lightweight games with creative and simple mechanics, hyper-casual games have become popular in major mobile app markets all over the world in the first half of 2019 because their instant gameplay experience makes it easier for users to play and engage. Because of the popularity of hyper-casual games, game app developers have replaced content and social app developers as the largest customer categories to our mobile advertising business. Hyper-casual games' focus on frequent data analysis driven content updates, user base growth and ad monetization improvements are naturally in line with the services provided by third-party mobile advertising and data analytics platforms like us. The advantage of the synergies between our traffic resources, unique creative capabilities, interactive advertising formats and data analytic products gradually manifest, which attracted more hyper-casual games developers to use our services for user acquisition and to invest large advertising budgets in our platforms, and the above will further grow the scale of our mobile advertising business.

Management Discussion and Analysis

Costs of Sales

During the six months ended 30 June 2019, our costs of sales increased by 20.5% YoY to US\$174.9 million (2018: US\$145.2 million). The increase was primarily driven by the fast growth in our mobile advertising revenue. The following table sets forth a breakdown of our costs of sales by type of costs for the periods indicated:

	Six months ended 30 June				
	2019		2018		YoY Change
	US\$'000 (Unaudited)	% of Total Revenue (Unaudited)	US\$'000 (Unaudited)	% of Total Revenue (Unaudited)	
Mobile advertising costs	174,947	77.7%	145,150	78.7%	20.5%
Traffic acquisition costs	166,596	74.0%	136,669	74.1%	21.9%
Server costs	8,351	3.7%	8,481	4.6%	-1.5%
Games publishing costs	—	—	21	0.0%	—
Total	174,947	77.7%	145,171	78.7%	20.5%

The following table sets forth a breakdown of our costs of sales by type of purchasing model for the periods indicated:

	Six months ended 30 June				
	2019		2018		YoY Change
	US\$'000 (Unaudited)	% of Programmatic Revenue (Unaudited)	US\$'000 (Unaudited)	% of Programmatic Revenue (Unaudited)	
Programmatic costs	100,901	79.6%	73,989	83.9%	36.4%
Traffic acquisition costs	93,803	74.0%	66,964	75.9%	40.1%
Server costs	7,098	5.6%	7,025	8.0%	1.0%
	US\$'000 (Unaudited)	% of Non- programmatic Revenue (Unaudited)	US\$'000 (Unaudited)	% of Non- programmatic Revenue (Unaudited)	YoY Change
Non-programmatic costs	74,046	75.3%	71,161	74.0%	4.1%
Traffic acquisition costs	72,793	74.0%	69,705	72.5%	4.4%
Server costs	1,253	1.3%	1,456	1.5%	-13.9%

Our optimization of server costs is improving with the growing size of programmatic advertising services. Programmatic advertising services require us to incur higher server costs than non-programmatic advertising services do. During the six months ended 30 June 2019, the server costs as a percentage of programmatic advertising revenue is 5.6%, compared to the server costs as a percentage of revenue for the non-programmatic advertising services of 1.3%.

Due to our ongoing effort to optimize our system architecture and improve our computing capabilities, the server costs of programmatic advertising services in the six months ended 30 June 2019 increased slightly by 1.0% YoY while our programmatic advertising revenue increased by 43.7% YoY, and the server costs as a percentage of programmatic advertising revenue significantly decreased to 5.6% (2018: 8.0%). The optimization of server costs will enable us to significantly reduce the impact of revenue growth on the server costs as programmatic advertising services grow rapidly, and this will create large profit margins for the mobile advertising services.

To grow programmatic advertising business at scale globally, we continue to deepen our partnership with quality in-app traffic suppliers. As our programmatic advertising revenue grew, during the six months ended 30 June 2019, our traffic acquisition costs increased by 40.1% YoY to US\$93.8 million (2018: US\$67.0 million). Since we started to strategically expand the supply of programmatic advertising traffic in Europe and America market in 2019, we will continue to implement Incentive Plan in the second half of 2019. However, we managed to reduce the cost stemming from Incentive Plan. As a percentage of programmatic advertising revenue, cost from Incentive Plan has been narrowed to 7.5% in the first half of 2019 from 10.3% in the second half of 2018; and we will cease the Incentive Plan at the end of 2019.

For non-programmatic advertising services, we maintained the same level of cost to operate the business. For the six months ended 30 June 2019, the cost of sales for non-programmatic advertising services was US\$74.0 million. As the revenue from non-programmatic advertising services did not increase significantly in the first half of 2019, as a percentage of non-programmatic advertising revenue, the traffic acquisition costs of non-programmatic advertising services accounted for 74.0%. The proportion of server costs decreased to 1.3%.

Gross Profit and Gross Profit Margin

The following table sets forth the indicated periods for the gross profit and gross profit margin of the Company's entire business activities:

Six months ended 30 June				
2019		2018		
Gross Profit US\$'000 (Unaudited)	Gross Profit Margin % (Unaudited)	Gross Profit US\$'000 (Unaudited)	Gross Profit Margin % (Unaudited)	Gross Profit YoY Change %
50,140	22.3%	39,280	21.3%	27.7%

Management Discussion and Analysis

We have maintained a steady growth in gross profit and a stable gross profit margin. For the six months ended 30 June 2019, our gross profit increased by 27.7% YoY to US\$50.1 million (2018: US\$39.3 million). Our gross profit margin increased to 22.3% (2018: 21.3%).

App developers usually integrate a limited number of SDKs, so we believe that using incentives to attract them to integrate our Mintegral SDKs will help create entry barriers for other market participants, strengthen our competitive advantage in programmatic advertising and promote programmatic business growth. We believe that the Incentive Plan should continue to be implemented. In the first half of 2019, we spent US\$9.5 million on this Incentive Plan to expand our supply source in Europe and America market, but with the expansion of the revenue scale of the programmatic advertising business, the proportion of traffic acquisition cost generated by the implementation of Incentive Plan compared to programmatic advertising revenue has dropped sharply to 7.5% (2018: 9.0%) in the first half of 2019. Since the Incentive Plan will be ceased at the end of 2019, if we exclude the impact of the Incentive Plan on gross profit margin over the same period of these two years, our gross profit margin will increase to 26.5% (2018: 25.6%) during the six months ended 30 June 2019.

The following table sets forth our gross profit and gross profit margin from mobile advertising by the mobile app category for the periods indicated:

	Six months ended 30 June				
	2019		2018		Gross Profit YoY Change %
	Gross Profit US\$'000 (Unaudited)	Gross Profit Margin % (Unaudited)	Gross Profit US\$'000 (Unaudited)	Gross Profit Margin % (Unaudited)	
Lifestyle	7,654	33.3%	2,762	31.5%	177.1%
E-commerce	9,411	26.3%	8,141	32.6%	15.6%
Games	19,638	22.5%	10,213	25.8%	92.3%
Content and social	8,589	18.3%	13,152	15.3%	-34.7%
Utility	2,996	17.9%	2,013	17.4%	48.8%
Other	1,852	12.3%	2,988	22.3%	-38.0%
Total	50,140	22.3%	39,269	21.3%	27.7%

From the perspective of app category, the largest drivers of gross profit were game, e-commerce, content and social and lifestyle apps. During the six months ended 30 June 2019, the gross profit from game, e-commerce, content and social and lifestyle apps in aggregate accounted by 90.3% of our total gross profit.

The growth in gross profits from game and lifestyle apps developers were the key drivers of the growth of our total gross profit in the first six months of 2019. Except for content and social app advertising, the gross profit of all other categories of app advertising business shows varying degrees of growth. With the substantial growth of revenue, the gross profit of the game and lifestyle app categories has increased significantly. During the six months ended 30 June 2019, our gross profit from game app advertising increased by 92.3% YoY to US\$19.6 million (2018: US\$10.2 million). To capitalize the growing trend towards hyper-casual games, we leveraged the synergy between our gaming traffic resources and data analytics product to promote hyper-casual game through both customized and interactive advertising formats, which lead to higher conversion rate of the campaign. Our competency in hyper-casual game promotion attracted more advertising budgets from hyper-casual game developers and hence contributed to the significant increase for the gross profit of our game app advertising services. The localized online lifestyle services led to the hiking promotion demand of app developers of lifestyle app worldwide and our gross profit in lifestyle app category increased by 177.1% YoY to US\$7.7 million (2018: US\$2.8 million).

Selling and Marketing Expenses

During the six months ended 30 June 2019, we recorded selling and marketing expenses of US\$4.4 million (2018: US\$3.0 million), 46.1% higher on a YoY basis. This was driven by the increase of share-based compensation expenses attributable to sales and marketing expenses. If we exclude the impact from the related share-based compensation expenses, our selling and marketing expenses will only increase by 15.4% YoY to US\$3.5 million (2018: US\$3.0 million).

Research and Development Expenses

To stay ahead on the technology curve and enhance our core competencies for future growth, we continued to invest in R&D activities for programmatic advertising products, cloud computing infrastructure, big data and artificial intelligence. During the six months ended 30 June 2019, our R&D expenses increased by 39.4% YoY to US\$17.1 million (2018: US\$12.2 million). As a percentage of revenue, our R&D expenses increased to 7.6% (2018: 6.6%).

General and Administrative Expenses

During the six months ended 30 June 2019, our general and administrative expenses increased to US\$20.5 million (2018: US\$14.2 million). The increase was mainly driven by the increase of share-based compensation expenses.

The share-based compensation expenses included in general and administrative expenses increased to US\$5.2 million in the first half of 2019. If we exclude the impact of related share-based compensation expenses over the same period of these two years, our general and administrative expenses will increase by 11.0% YoY to US\$15.3 million (2018: US\$13.8 million), representing a decrease to 6.8% (2018 : 7.5%) of the revenue over the same period.

Management Discussion and Analysis

Profit from Operations

During the six months ended 30 June 2019, our operating profit decreased by 19.1% YoY to US\$9.3 million (2018: US\$11.5 million), primarily due to the increase of share-based compensation expenses. If we exclude the impact from the share-based compensation expenses, the profit from operations will increase by 60.3% YoY to US\$19.1 million (2018: US\$11.9 million).

Finance Costs

During the six months ended 30 June 2019, our finance costs increased to US\$0.7 million (2018: US\$0.2 million). The increase was mainly due to the loan interest incurred in newly added bank loan balance, and the interest expense calculated under the application of the new lease standard, namely IFRS 16.

Income Tax

During the six months ended 30 June 2019, our income tax expense decreased to US\$1.0 million (2018: US\$1.2 million), mainly due to the decrease of profit before taxation.

Profit for the Period Attributable to Equity Shareholders of the Company

During the six months ended 30 June 2019, our profit attributable to equity shareholders of the Company was US\$7.6 million (2018: US\$10.1 million). In 2018 and the first half of 2019, we granted the share-based incentives to the eligible management and employees. The share-based compensation expenses was recognised over the service period of these management and employees resulting in an expenditure of US\$9.8 million for the six months ended 30 June 2019. If we exclude the impact of the share-based compensation expenses, the profit attributable to equity shareholders of the Company will increase by 65.0% YoY to US\$17.4 million (2018: US\$10.5 million).

Other Financial Information (Non-IFRS measures)

To supplement our consolidated financial statements presented in accordance with IFRS, we also use non-IFRS measures, namely EBITDA and adjusted EBITDA, as additional financial measures, which are not required by or presented in accordance with IFRS. We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that such measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. However, our presentation of adjusted EBITDA may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of our results of operations or financial conditions as reported under IFRS.

Six months ended 30 June

	2019		2018		YoY Change
	US\$'000 (Unaudited)	% of Total Revenue (Unaudited)	US\$'000 (Audited)	% of Total Revenue (Audited)	
Profit from operations	9,314	4.2%	11,519	6.3%	-19.1%
Add:					
Depreciation and amortization	3,876	1.7%	1,150	0.6%	237.0%
EBITDA	13,190	5.9%	12,669	6.9%	4.1%
Add:					
Share-based compensation expenses	9,775	4.3%	391	0.2%	2,400.0%
Non-IFRS measures⁽¹⁾					
Adjusted EBITDA⁽²⁾	22,965	10.2%	13,060	7.1%	75.8%

Notes:

- (1) We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that such measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. The use of such measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.
- (2) We define adjusted EBITDA as EBITDA (which is profit from operations plus depreciation and amortization expenses) for the period adjusted by adding share-based compensation expenses.

Six months ended 30 June

	2019		2018		YoY Change
	US\$'000 (Unaudited)	% of Total Revenue (Unaudited)	US\$'000 (Audited)	% of Total Revenue (Audited)	
Profit for the period	7,588	3.4%	10,131	5.5%	-25.1%
Add:					
Share-based compensation expenses	9,775	4.3%	391	0.2%	2,400.0%
Non-IFRS measures⁽¹⁾					
Adjusted net profit⁽²⁾	17,363	7.7%	10,522	5.7%	65.0%

Management Discussion and Analysis

Notes:

- (1) We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that such measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. The use of such measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.
- (2) We define adjusted net profit as profit for the period plus share-based compensation expenses.

During the six months ended 30 June 2019, our adjusted EBITDA increased by 75.8% YoY to US\$23.0 million (2018: US\$13.1 million). Our adjusted net profit increased by 65.0% YoY to US\$17.4 million (2018: US\$10.5 million).

Capital Structure

We continued to maintain a healthy and sound financial position. As of 30 June 2019, our total assets were US\$432.2 million (31 December 2018: US\$406.2 million), while our total liabilities were US\$175.1 million (31 December 2018: US\$174.5 million). The gearing ratio (total liabilities divided by total assets) decreased to 40.5% (31 December 2018: 43.0%).

Financial Resources

Our Company funded our cash requirement principally from capital contribution from shareholders, cash generated from our operations and bank loans. As of 30 June 2019, our cash and cash equivalents amounted to US\$60.2 million (31 December 2018: US\$64.9 million).

Capital Expenditure

The following table sets forth our capital expenditure for the periods indicated:

	Six months ended 30 June	
	2019 US\$'000 (Unaudited)	2018 US\$'000 (Audited)
Payment for property, plant and equipment	615	452
Payment for intangible assets and development costs	5,742	1,564
Prepayment for properties	–	662
Total	6,357	2,678

Our capital expenditure primarily consisted of expenditures on (i) property, plant and equipment, and (ii) intangible assets, including developed technologies (capitalized research and development expenditures), royalties, software and trademark. As of 30 June 2019, capital expenditure increased from US\$2.7 million in the first half of 2018 to US\$6.4 million. The increase in the capital expenditure was primarily due to the increase of the capitalization of research and development expenses.

Significant Investments Held, Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

There were no significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures during the Review Period.

Charges on Group's Assets

As at 30 June 2019, none of the Group's assets were charged with any parties or financial institutions.

Material Investments or Future Plan for Major Investment

As at 30 June 2019, the Group did not hold any material investment and there was no specific plan for material investments or capital assets.

Foreign Exchange Risk Management

We operate our business internationally and the major currencies of our receipts and payments are denominated in US dollars. We are exposed to currency risk primarily through sales and purchases giving rise to receivables, payables and cash balances that are denominated in a foreign currency. We managed foreign exchange risk by performing regular reviews of our net foreign exchange exposures.

Contingent Liabilities and Financial Guarantees

As at 30 June 2019, there is no contingent liability or financial guarantee granted to third parties of the Group.

UNAUDITED INTERIM FINANCIAL INFORMATION REVIEW REPORT

Review report to the Board of Directors of Mobvista Inc.

(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 19 to 47 which comprises the consolidated statement of financial position of Mobvista Inc. (the “**Company**”) as of 30 June 2019 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“**IASB**”). The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong
29 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019
(Expressed in United States dollar)

		Six months ended 30 June	
	Note	2019 US\$'000 (Unaudited)	2018 US\$'000 (Audited)
Revenue	3	225,087	184,451
Cost of sales		(174,947)	(145,171)
Gross profit		50,140	39,280
Selling and marketing expenses		(4,435)	(3,035)
Research and development expenses		(17,051)	(12,229)
General and administrative expenses		(20,503)	(14,171)
Other net income		1,163	1,674
Profit from operations		9,314	11,519
Finance costs		(701)	(231)
Profit before taxation	5	8,613	11,288
Income tax	6	(1,025)	(1,157)
Profit for the period attributable to equity shareholders of the Company		7,588	10,131
Earnings per share	7		
Basic		US\$0.52 cents	US\$0.90 cents
Diluted		US\$0.51 cents	US\$0.90 cents

The notes on pages 26 to 47 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019
(Expressed in United States dollar)

	Six months ended 30 June	
	2019 US\$'000 (Unaudited)	2018 US\$'000 (Audited)
Profit for the period	7,588	10,131
Other comprehensive income for the period (after tax and reclassification adjustments):		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	482	448
Total comprehensive income for the period attributable to equity shareholders of the Company	8,070	10,579

The notes on pages 26 to 47 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019
(Expressed in United States dollar)

	Note	At 30 June 2019 US\$'000 (Unaudited)	At 31 December 2018 US\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	11,594	656
Intangible assets	9	10,302	5,989
Goodwill	10	28,998	28,998
Deferred tax assets		8,069	7,749
Other financial assets		52,500	71,000
Deposits and prepayments	11	2,296	1,306
		113,759	115,698
Current assets			
Trade and other receivables	11	253,420	220,854
Restricted cash	12(a)	4,798	4,754
Cash and cash equivalents	12(b)	60,226	64,865
		318,444	290,473
Current liabilities			
Trade and other payables	13	125,525	152,101
Current tax payable		4,762	4,794
Bank loans		30,858	16,697
Lease liabilities	2(d)	5,419	—
		166,564	173,592
Net current assets			
		151,880	116,881
Total assets less current liabilities		265,639	232,579

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 26 to 47 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2019
(Expressed in United States dollar)

	Note	At 30 June 2019 US\$'000 (Unaudited)	At 31 December 2018 US\$'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		1,043	915
Lease liabilities	2(d)	7,488	—
		8,531	915
NET ASSETS			
		257,108	231,664
CAPITAL AND RESERVES			
Share capital	14	15,341	15,188
Reserves		241,767	216,476
Total equity attributable to equity shareholders of the Company			
		257,108	231,664

The interim financial report on page 19 to page 47 were approved and authorized for issue by the Board of Directors on 29 August 2019.

Duan Wei
Director

Cao Xiaohuan
Director

The notes on pages 26 to 47 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 — unaudited
(Expressed in United States dollar)

Note	Share capital US\$'000	Share premium US\$'000	Capital reserve US\$'000	Statutory reserve US\$'000	Exchange reserve US\$'000	Reserve for treasury shares US\$'000	Shared-based payments reserve US\$'000 (Note 14(b))	Retained profits US\$'000	Total equity US\$'000
As at 1 January 2018	28,401	—	771	2,656	1,340	—	10,800	46,070	90,038
Changes in equity for the period ended 30 June 2018:									
Profit for the period	—	—	—	—	—	—	—	10,131	10,131
Other comprehensive income	—	—	—	—	448	—	—	—	448
Total comprehensive income	—	—	—	—	448	—	—	10,131	10,579
Share-based compensation	—	—	—	—	—	—	391	—	391
Appropriation to statutory reserves	—	—	—	59	—	—	—	(59)	—
Deemed distribution	(28,362)	—	(764)	(1,538)	(720)	—	—	(8,764)	(40,148)
Arising from Reorganisation	60,178	—	(60,178)	—	—	—	—	—	—
As at 30 June 2018 and 1 July 2018	60,217	—	(60,171)	1,177	1,068	—	11,191	47,378	60,860
Changes in equity for the period ended 31 December 2018:									
Profit for the period	—	—	—	—	—	—	—	11,723	11,723
Other comprehensive income	—	—	—	—	(512)	—	—	—	(512)
Total comprehensive income	—	—	—	—	(512)	—	—	11,723	11,211
Share-based compensation	—	—	—	—	—	—	6,057	—	6,057
Arising from Reorganisation	(60,178)	—	60,178	—	—	—	—	—	—
Issuance of ordinary shares in connection with Reorganisation	(29)	—	29	—	—	—	—	—	—
Issuance of ordinary shares to Restricted Share Units ("RSUs") trustees	1	—	—	—	—	—	—	—	1
Issuance of ordinary shares upon initial public offering, net of issuing costs	3,188	150,347	—	—	—	—	—	—	153,535
Capitalisation issue	11,989	(11,269)	—	—	—	(720)	—	—	—
Balance at 31 December 2018	15,188	139,078	36	1,177	556	(720)	17,248	59,101	231,664

The notes on pages 26 to 47 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019 — unaudited
(Expressed in United States dollar)

Note	Share capital US\$'000	Share Premium US\$'000	Capital reserve US\$'000	Statutory reserve US\$'000	Exchange reserve US\$'000	Reserve for treasury share US\$'000	Share-based payments reserve US\$'000 (Note 14(b))	Retained profits US\$'000	Total equity US\$'000
As at 1 January 2019	15,188	139,078	36	1,177	556	(720)	17,248	59,101	231,664
Changes in equity for the period ended 30 June 2019:									
Profit for the period	—	—	—	—	—	—	—	7,588	7,588
Other comprehensive income	—	—	—	—	482	—	—	—	482
Total comprehensive income	—	—	—	—	482	—	—	7,588	8,070
Vested RSUs	—	5,862	—	—	—	119	(5,981)	—	—
Share-based compensation	14(b)	—	—	—	—	—	9,775	—	9,775
Issuance of ordinary share in IPO over-allotment	14(c)	153	7,446	—	—	—	—	—	7,599
As at 30 June 2019	15,341	152,386	36	1,177	1,038	(601)	21,042	66,689	257,108

The notes on pages 26 to 47 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019
(Expressed in United States dollar)

	Note	Six months ended 30 June	
		2019 US\$'000 (Unaudited)	2018 US\$'000 (Audited)
Operating activities			
Cash (used in)/generated from operations		(14,451)	3,817
Income tax paid		(1,087)	(5,372)
Net cash used in operating activities		(15,538)	(1,555)
Investing activities			
Investment in other financial assets		(15,000)	(1,935)
Payment for intangible assets and development costs		(5,742)	(1,564)
Payment for property, plant and equipment		(615)	(452)
Prepayment for properties		—	(662)
Acquisition of subsidiaries		—	(167)
Interest received		207	920
Proceeds from disposal of other financial assets		19,500	—
Net cash used in investing activities		(1,650)	(3,860)
Financing activities			
Repayment of bank loans		(32,290)	(27,442)
Listing expense paid		(7,055)	(104)
Payment to related parties		—	(45,594)
Capital element of lease rentals paid		(1,765)	—
Interest element of lease rentals paid		(273)	—
Interest paid and other borrowing cost paid		(662)	(907)
Changes in restricted cash and pledged deposits		(44)	34,801
Deemed distribution to shareholders during group reorganization		—	(2,024)
Issuance of ordinary share in IPO over-allotment		7,599	—
Proceeds from bank loans		46,451	36,649
Net cash generated from/(used in) financing activities		11,961	(4,621)
Net decrease in cash and cash equivalents		(5,227)	(10,036)
Cash and cash equivalents at 1 January		64,865	44,797
Effect of foreign exchanges rates changes		588	(19)
Cash and cash equivalents at 30 June	12	60,226	34,742

The notes on pages 26 to 47 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 29 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Mobvista Inc. (the “**Company**”) and its subsidiaries (collectively the “**Group**”) since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 18.

2 Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, 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*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“**short-term leases**”) and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

(Expressed in United States dollars unless otherwise indicated)

2 Changes in accounting policies (Continued)

IFRS 16, *Leases* (Continued)

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) *Lessee accounting*

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 8(a).

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

2 Changes in accounting policies (Continued)

(a) Changes in the accounting policies (Continued)

(ii) **Lessee accounting** (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) **Lessor accounting**

The Group sub-leases properties as the lessor of finance leases. Under IFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset.

(Expressed in United States dollars unless otherwise indicated)

2 Changes in accounting policies (Continued)

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.6%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

- (i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

2 Changes in accounting policies (Continued)

(c) Transitional impact (Continued)

The following table reconciles the operating lease commitments as disclosed in note 15 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 US\$'000
Operating lease commitments at 31 December 2018	10,019
Less: commitments relating to leases exempt from capitalisation: – short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(71)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	5,959
	15,907
Less: total future interest expenses	(1,440)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and total lease liabilities recognised at 1 January 2019	14,467

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

2 Changes in accounting policies (Continued)

(c) Transitional impact (Continued)

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 US\$'000	Capitalisation of lease Contracts US\$'000	Carrying amount at 1 January 2019 US\$'000
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment	656	12,818	13,474
Other receivables — non-current — sublease net investment	1,306	1,671	2,977
Total non-current assets	115,698	14,489	130,187
Trade and other payables	152,101	22	152,123
Lease liabilities (current)	—	4,784	4,784
Current liabilities	173,592	4,806	178,398
Net current assets	116,881	(4,806)	112,075
Total assets less current liabilities	232,579	9,683	242,262
Lease liabilities (non-current)	—	9,683	9,683
Total non-current liabilities	915	9,683	10,598
Net assets	231,664	—	231,664

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

2 Changes in accounting policies (Continued)

(c) Transitional impact (Continued)

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the Reporting Period and at the date of transition to IFRS 16 is as follows:

	At 30 June 2019 US\$'000	At 1 January 2019 US\$'000
Included in "Property, plant and equipment": Other properties leased for own use, carried at depreciated cost	10,940	12,818

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the Reporting Period and at the date of transition to IFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments US\$'000	Total minimum lease payments US\$'000	Present value of the minimum lease payments US\$'000	Total minimum lease payments US\$'000
Within 1 year	5,419	5,516	4,784	4,914
After 1 year but within 5 years	7,488	8,207	9,683	11,059
	12,907	13,723	14,467	15,973
Less: total future interest expenses		(816)		(1,506)
Present value of lease liabilities		12,907		14,467

(Expressed in United States dollars unless otherwise indicated)

2 Changes in accounting policies (Continued)

(e) Impact on the financial result and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

2 Changes in accounting policies (Continued)

(e) Impact on the financial result and cash flows of the Group (Continued)

	2019			Hypothetical amounts for 2019 as if under IAS 17 (D=A+B+C)	2018
	Amounts reported under IFRS 16 (A)	Add back: IFRS 16 depreciation and interest expenses (B)	Deduct: estimated amounts related to operating leases as if under IAS 17 (note 1) (C)		
	US\$'000	US\$'000	US\$'000	US\$'000	Compared to amounts reported for 2018 under IAS 17 US\$'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:					
Profit from operations	9,314	2,273	(2,328)	9,259	11,519
Finance costs	(701)	327	—	(374)	(231)
Profit before taxation	8,613	2,600	(2,328)	8,885	11,288
Profit for the period	7,588	2,600	(2,328)	7,860	10,131

	2019			Hypothetical amounts for 2019 as if under IAS 17 (C=A+B)	2018
	Amounts reported under IFRS 16 (A)	Estimated amounts related to operating leases as if under IAS 17 (notes 1 & 2) (B)	Estimated amounts related to operating leases as if under IAS 17 (notes 1 & 2) (B)		
	US\$'000	US\$'000	US\$'000	US\$'000	Compared to amounts reported under IAS 17 US\$'000
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:					
Cash (used in)/generated from operations	(14,451)	(2,038)	(16,489)	(16,489)	3,817
Net cash used in operating activities	(15,538)	(2,038)	(17,576)	(17,576)	(1,555)
Capital element of lease rentals paid	(1,765)	1,765	—	—	—
Interest element of lease rentals paid	(273)	273	—	—	—
Net cash generated from/(used in) financing activities	11,961	2,038	13,999	13,999	(4,621)

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

2 Changes in accounting policies (Continued)

(e) Impact on the financial result and cash flows of the Group (Continued)

Note 1: The “estimated amounts related to operating leases” is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

3 Revenue

The principal services of the Group are the provisions of mobile advertising services. For the purpose of resources allocation and performance assessment, the Group’s management focuses on the operating results of the Group as a whole. As such, the Group’s resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

The disaggregation of revenue from contracts with customers by the timing of revenue recognition during the period is as follows:

	Six months ended 30 June	
	2019 US\$'000	2018 US\$'000
Point in time	225,087	184,419
Over time	—	32
	225,087	184,451

The amount of each significant category of revenue recognised during the period is as follows:

	Six months ended 30 June	
	2019 US\$'000	2018 US\$'000
Provision of mobile advertising services	225,087	184,419
Game publishing	—	32
	225,087	184,451

The Group’s customer base is diversified and includes no customer with whom transactions have exceeded 10% of the Group’s revenues for the six months ended 30 June 2019 (30 June 2018: one).

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

3 Revenue (Continued)

Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location of the customers' headquarters.

	Revenue from external customers for six months ended 30 June	
	2019 US\$'000	2018 US\$'000
Greater China region (note (i))	132,602	118,528
Americas (note (ii))	21,347	18,998
Asia Pacific (note (iii))	27,924	25,067
Rest of Asia (note (iv))	5,643	5,595
EMEA (note (v))	34,288	13,015
Rest of the world	3,283	3,248
	225,087	184,451

Notes:

- (i) Includes mainland China, the Hong Kong Special Administrative Region of PRC, the Macau Special Administrative Region of the PRC, and Chinese Taiwan.
- (ii) Primarily includes United States, Canada, Mexico, Brazil, Argentina and Chile.
- (iii) Primarily includes Southeast Asia, Japan, South Korea, Australia and New Zealand.
- (iv) Primarily includes Central and South Asia.
- (v) Primarily includes United Kingdom, Switzerland, Germany, Saudi Arabia, Jordan, Egypt and Nigeria.

4 Seasonality of operations

The Group generally experiences higher revenue in the fourth quarter as compared with other quarters in the year, because more revenues are generated from mobile advertising solutions in the fourth quarter of the year prior to the New Year holiday.

For the twelve months ended 30 June 2019, the Group reported revenue of US\$475,363,000 (twelve months ended 30 June 2018: US\$325,074,000), and gross profit of US\$108,760,000 (twelve months ended 30 June 2018: US\$74,128,000).

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2019 US\$'000	2018 US\$'000 (Note)
(a) Finance costs		
Interest on bank loans	388	231
Interest on lease liabilities	313	—
	701	231
(b) Staff costs		
Contributions to defined contribution retirement plans	1,295	1,177
Share-based compensation expenses	9,775	391
Salaries, wages and other benefits	18,971	18,295
	30,041	19,863
(c) Other items		
Interest income	(1,225)	(1,005)
Depreciation charge		
— owned property, plant and equipment	173	337
— right-of-use assets	2,273	—
Amortisation	1,430	813
Impairment losses of trade receivables	1,207	324
Listing expenses	—	1,887
Operating lease charges in respect of properties	195	1,205

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Details are set out in note 18.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

6 Income tax

	Six months ended 30 June	
	2019 US\$'000	2018 US\$'000
Current tax	1,244	32
Deferred tax	(219)	1,125
	1,025	1,157

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands, the BVI and Seychelles, the Group is not subject to any income tax in the Cayman Islands, the BVI and Seychelles.
- (ii) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the period.
- (iii) Adlogic Technology Pte. Ltd., a subsidiary in Singapore, is subject to the prevailing corporate income tax rate of 17% in Singapore.
- (iv) USCore, Inc., a subsidiary in the United States, is subject to federal income tax rate of 21% in the United States for the six months ended 30 June 2019, according to the U.S. Tax Cuts and Jobs Acts effective on 1 January 2018. In addition, USCore, Inc. is subject to taxation in various states of the United States. nativeX, LLC, a wholly-owned subsidiary of USCore, Inc., is treated as a disregarded entity for income tax purpose and its income or loss are included in the income tax calculation of USCore, Inc..
- (v) The Enterprise Income Tax (“EIT”) rate applicable to the subsidiaries registered in the PRC is 25% for the period.
- (vi) Guangzhou Huiliang, a subsidiary in the PRC, is accredited as a “high and new technology enterprise” and applicable for a preferential enterprise income tax rate of 15% from 2017 to 2019.
- (vii) According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2017 onwards, PRC subsidiaries of the Group engaging in research and development activities are entitled to claim 175% for the three years ending 31 December 2019 of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for each year (“**Super Deduction**”). The Group has made its best estimate for Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the period.
- (viii) The PRC EIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. Under the Sino-Hong Kong Double Tax Arrangement, a Hong Kong subsidiary of the Group is entitled to a reduced withholding tax rate of 5% if it is the “beneficial owner” and holds more than 25% of the equity interest of its PRC enterprise directly.

*(Expressed in United States dollars unless otherwise indicated)***7 Earnings per share****(a) Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of US\$7,588,000 (2018: US\$10,131,000) and the weighted average of 1,468,774,071 ordinary shares (2018: 1,127,999,842 shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2019	2018
Ordinary shares at 1 January	1,446,866,842	1,127,999,842
Effect of vested RSUs (note 14(b))	7,248,107	—
Effect of issuance of over-allotment shares (note 14(c))	14,659,122	—
Weighted average number of ordinary shares at 30 June	1,468,774,071	1,127,999,842

The weighted average number of shares in issue during the six months ended 30 June 2018 was based on the assumption that the 1,127,999,842 ordinary shares (excluding effect of treasury shares of 71,936,328) were issued before the listing of shares on the Stock Exchange, as if such shares had been outstanding since 1 January 2018.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of US\$7,588,000 (2018: US\$10,131,000) and the weighted average number of ordinary shares of 1,485,607,516 shares (2018: 1,127,999,842 shares) in issue adjusted for the potential dilutive effect caused by the shares granted under the share award scheme.

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2019	2018
Weighted average number of ordinary shares at 30 June	1,468,774,071	1,127,999,842
Effect of unvested shares under the Company's share award scheme	16,833,445	—
Weighted average number of ordinary shares (diluted) at 30 June	1,485,607,516	1,127,999,842

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

8 Property, plant and equipment

(a) Right-of-use assets

As discussed in note 2, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 2(c)(iii).

(b) Acquisitions and disposals

During the six months ended 30 June 2019, the Group acquired computers and other office equipment with a cost of US\$178,000 (six months ended 30 June 2018: US\$451,000). No computer or office equipment were disposed during the six months ended 30 June 2019 (six months ended 30 June 2018: US\$33,000).

9 Intangible assets

During the six months ended 30 June 2019, the Group capitalised internal development costs of approximately US\$5,733,000 (six months ended 30 June 2018: US\$1,477,000). The expenditure capitalized includes the direct staff costs, cloud server costs and an appropriate proportion of overheads.

10 Goodwill

	30 June 2019 US\$'000	31 December 2018 US\$'000
Goodwill in connection with the acquisition of:		
– nativeX, LLC.	19,981	19,981
– Game analytics Aps	9,017	9,017
	28,998	28,998
Carrying amount:	28,998	28,998

In accordance with the Group's accounting policies, goodwill is tested for impairment on an annual basis at each year end. As of 30 June 2019, management did not identify any impairment indicators considering (i) the CGUs' actual financial performance for the six months ended 30 June 2019 is not inconsistent with the forecast utilised in the impairment test as of 31 December 2018; (ii) management is not aware of any significant changes that could have adverse impact on the businesses.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

11 Trade and other receivables

As of the end of the Reporting Period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	At 30 June 2019 US\$'000	At 31 December 2018 US\$'000
Within 3 months	91,690	108,791
3 to 6 months	34,092	21,772
6 to 12 months	23,420	12,117
Over 12 months	9,438	2,822
Trade receivables, net of allowance for doubtful accounts	158,640	145,502
Deposits and prepayments	11,355	8,688
Other receivables	85,721	67,970
	255,716	222,160
Less: Non-current deposits and prepayments	(2,296)	(1,306)
	253,420	220,854

Trade receivables are due within 60-90 days from the date of revenue recognition.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

12 Cash and bank balances

(a) Restricted cash

Cash that is restricted as to withdrawal for use or pledged as security is reported separately on the face of the consolidated statements of financial position, and is not included in the total cash and cash equivalents in the condensed consolidated cash flow statement.

	At 30 June 2019 US\$'000	At 31 December 2018 US\$'000
Term deposits pledged for bank borrowings	4,475	4,425
Other deposits in banks	323	329
	4,798	4,754

(b) Cash and cash equivalents

	At 30 June 2019 US\$'000	At 31 December 2018 US\$'000
Cash at bank and in hand	60,226	64,865

13 Trade and other payables

As of the end of the Reporting Period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2019 US\$'000	At 31 December 2018 US\$'000
Within 1 month	28,310	43,231
1 to 2 months	15,513	27,305
2 to 3 months	16,990	20,908
Over 3 months but within 6 months	40,588	33,474
Trade payables	101,401	124,918
Amounts due to related parties	143	56
Other payables	9,835	15,279
Receipt in advance	6,606	5,014
Staff costs payable	5,711	5,635
VAT and other tax payables	1,829	1,199
	125,525	152,101

*(Expressed in United States dollars unless otherwise indicated)***14 Capital, reserves and dividends****(a) Dividends**

No dividend has been declared or paid by the Company during the six months ended 30 June 2019.

(b) Equity settled share-based transactions

The Company has adopted a share incentive scheme on 27 September 2018 and amended on 19 November 2018 for the purposes of incentivise directors, senior management, employees and consultants for their contribution to the Group, and to attract and retain skilled and experienced personnel for the future growth of the Group by providing them with the opportunity to own equity interests in the Company (the “**2018 Share Incentive Plan**”).

Movements in the number of restricted shares units (the “**RSUs**”) granted to the Group’s directors, senior management, employees and consultant and the respective weighted-average grant date fair value are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU US\$
Outstanding as of 1 January 2019	60,604,700	0.50
Granted during six months ended 30 June 2019	3,030,700	0.54
Forfeited during six months ended 30 June 2019	(814,600)	0.51
Vested during six months ended 30 June 2019	(11,911,400)	0.50
Outstanding as of 30 June 2019	<u>50,909,400</u>	<u>0.50</u>

For the six months ended 30 June 2019, 11,911,400 RSUs were vested and become ordinary shares. Share-based payments reserves of US\$5,862,000 were transferred to share premium.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

14 Capital, reserves and dividends (Continued)

(c) Over-allotment

On 4 January 2019, over-allotment option in relation to initial public offering in Hong Kong Stock Exchange of the Group was partially exercised and an aggregate of 15,337,000 shares were issued at a price of HK\$4.00 (equivalent to approximately US\$0.5) per share accordingly. The total gross proceeds received by the Company in connection with over-allotment were approximately US\$7,599,000 (equivalent to HK\$59,503,000), of which US\$153,000 were credited to the Company's share capital account. The remaining proceeds of US\$7,446,000 were credited to the Company's share premium account.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio is defined as the Group's total liabilities over its total assets.

The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group recognizes right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused a significant increase in the Group's total debt and hence the Group's debt to asset ratio rose from 43% to 45% on 1 January 2019 when compared to its position as at 31 December 2018.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

14 Capital, reserves and dividends (Continued)

(d) Capital management (Continued)

The Group's debt to asset ratio at the end of the current and previous Reporting Periods and at the date of transition to IFRS 16 was as follows:

	30 June 2019 US\$'000	1 January 2019 (Note) US\$'000	31 December 2018 (Note) US\$'000
Current liabilities:			
Trade and other payables	125,525	152,057	152,101
Current tax payable	4,762	4,794	4,794
Bank loans	30,858	16,697	16,697
Lease Liabilities	5,419	4,784	—
Non-current liabilities:			
Deferred tax liabilities	1,043	915	915
Lease liabilities	7,488	9,683	—
Total debt	175,095	188,930	174,507
Total assets	432,203	420,594	406,171
Debt to asset ratio	41%	45%	43%

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated.

Notes to the Unaudited Interim Financial Report

(Expressed in United States dollars unless otherwise indicated)

15 Commitments

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	31 December 2018 US\$'000
Within 1 year	3,800
After 1 year but within 5 years	6,219
	<u>10,019</u>

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.

16 Material related party transactions

(a) Transactions and balances with related parties

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the lease of an office premise (as lessee) with related parties since December 2018. During the six months ended 30 June 2019, interest expense amounted to US\$177,000 and depreciation of right-of-use assets amounted to US\$1,323,000 are charged to statements of profit and loss. As at 30 June 2019, lease liabilities due to related parties amounted to US\$7,030,000.

(b) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees is as follows:

	Six months ended 30 June 2019 US\$'000	Six months ended 30 June 2018 US\$'000
Short-term employee benefits	405	380
Share-based compensation expenses	2,836	391
Contributions to retirement benefit scheme	26	17
	<u>3,267</u>	<u>788</u>

(Expressed in United States dollars unless otherwise indicated)

17 Subsequent events

On 25 July 2019, the Board has resolved the distribution of a special dividend of HK\$0.08 per share to the shareholders of the Company and it was paid to shareholders on 27 August 2019.

This proposed dividend is not reflected as dividend payable in the consolidated financial statements.

18 Comparative figures

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

OTHER INFORMATION

DIRECTORS

The Directors during the Review Period and up to the date of this Interim Report were:

EXECUTIVE DIRECTORS

Mr. DUAN Wei (*chairman and chief executive officer*)

Mr. CAO Xiaohuan (*president*)

Mr. FANG Zikai

Mr. XI Yuan (*resigned from director position on 26 July 2019 while maintained other positions with the Group*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YING Lei

Mr. WANG Jianxin

Mr. HU Jie

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

During the Review Period and up to the date of this Interim Report, the Directors confirmed that no information is required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 30 June 2019, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Interest in Shares

Name of Director	Nature of Interest	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital
Mr. DUAN Wei ⁽¹⁾	Interest in controlled corporation	1,127,999,842(L) ⁽²⁾	73.5%
Mr. FANG Zikai	Beneficial owner	2,969,100(L)	0.19%
Mr. XI Yuan	Beneficial owner	1,548,000(L)	0.10%

Notes:

- (1) Guangzhou Mobvista, through its wholly-owned subsidiary Seamless, holds 1,127,999,842 Share of our Company, representing 73.5% of total number of Shares. Mr. Duan, Guangzhou Huimao, and Horgos Duanshi Pearl River Equity Investment Co., Ltd.* directly holds 12.94%, 17.97% and 4.20% interest in Guangzhou Mobvista, respectively. The general partner of Guangzhou Huimao is Guangzhou Huisui, which is owned by Mr. Duan as to 95%. Guangzhou Huisui holds the entire voting and disposition power in Guangzhou Huimao. Therefore, Mr. Duan is deemed to be interested in Guangzhou Huimaos interest in Guangzhou Mobvista under the SFO. Horgos Duanshi Pearl River Equity Investment Co., Ltd. is wholly-owned by Mr. Duan; therefore, Mr. Duan is deemed to be interested in Horgos Duanshi Pearl River Equity Investment Co., Ltd.'s interest in Guangzhou Mobvista under the SFO. As a result, Mr. Duan is deemed to be interested in an aggregate of 35.11% interest in Guangzhou Mobvista, and thus is further deemed to be interested in the 1,127,999,842 Shares of our Company which Guangzhou Mobvista is interested in.
- (2) L: Long Position

(b) Interest in associated corporation

Name of Director	Associated Corporation	Registered capital of the associated corporation	Nature of interests	Number of shares	Approximate percentage of shareholding in the associated corporation
Mr. DUAN Wei ⁽¹⁾	Guangzhou Mobvista	RMB372,644,072	Beneficial owner	48,207,872(L) ⁽³⁾	12.94%
		RMB372,644,072	Interest in controlled corporation	82,625,776(L)	22.17%
Mr. CAO Xiaohuan ⁽²⁾	Guangzhou Mobvista	RMB372,644,072	Beneficial owner	2,410,496(L)	0.65%
		RMB372,644,072	Interest in controlled corporation	16,575,860(L)	4.45%

Notes:

- (1) Mr. Duan, Guangzhou Huimao, and Horgos Duanshi Pearl River Equity Investment Co., Ltd. directly hold 12.94%, 17.97% and 4.20% interest in Guangzhou Mobvista, respectively. The general partner of Guangzhou Huimao is Guangzhou Huisui, which is owned by Mr. Duan as to 95%. Guangzhou Huisui holds the entire voting and disposition power in Guangzhou Huimao. Therefore, Mr. Duan is deemed to be interested in Guangzhou Huimao's interest in Guangzhou Mobvista under the SFO. Horgos Duanshi Pearl River Equity Investment Co., Ltd. is wholly-owned by Mr. Duan; therefore, Mr. Duan is deemed to be interested in Horgos Duanshi Pearl River Equity Investment Co., Ltd.'s interest in Guangzhou Mobvista under the SFO.
- (2) Mr. Cao, Horgos Huichun Equity Investment Co., Ltd. and Fengli Trust directly hold 0.65%, 1.28% and 3.17% interest in Guangzhou Mobvista, respectively. Horgos Huichun Equity Investment Co., Ltd. is a company wholly-owned by Mr. Cao. The trustee and sole beneficiary of Fengli Trust is Guangzhou Huiqian. The general partner of Guangzhou Huiqian is Mr. Cao, who held 1% interest in Guangzhou Huiqian. The limited partners of Guangzhou Huiqian are Mr. Xi, Mr. Fang, Mr. WANG Ping and Horgos Duanshi Pearl River Equity Investment Co., Ltd. (a company wholly-owned by Mr. Duan), holding 27.26%, 27.26%, 27.26% and 17.21% interest in Guangzhou Huiqian, respectively. Currently the general partner, namely Mr. Cao, holds the entire voting and disposition power in Guangzhou Huiqian.
- (3) L: Long Position

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2019, the following persons will have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and are therefore regarded as substantial shareholders of our Company under the Listing Rules:

Name of Shareholder	Capacity/nature of interest	Number of Shares held	Approximate percentage of shareholding in our company
Seamless Technology Limited ⁽¹⁾	Beneficial owner	1,127,999,842(L) ⁽³⁾	73.5%
Guangzhou Mobvista ⁽¹⁾	Interest in controlled corporation	1,127,999,842(L)	73.5%
Mr. DUAN Wei ⁽²⁾	Interest in controlled corporation	1,127,999,842(L)	73.5%

Notes:

- (1) Seamless holds 1,127,999,842 Shares in the Company, representing 73.5% of the issued shares. Seamless is wholly-owned by Guangzhou Mobvista. Therefore, Guangzhou Mobvista is deemed to be interested in the 1,127,999,842 Shares held by Seamless under the SFO.
- (2) Mr. Duan, Guangzhou Huimao and Horgos Duanshi Pearl River Equity Investment Co., Ltd. directly hold 12.94%, 17.97% and 4.20% interest in Guangzhou Mobvista, respectively. The general partner of Guangzhou Huimao Investment Management Center (Limited Partnership) is Guangzhou Huisui, which is owned by Mr. Duan as to 95%; Guangzhou Huisui holds the entire voting and disposition power in Guangzhou Huimao. Therefore, Mr. Duan is deemed to be interested in Guangzhou Huimao's interest in Guangzhou Mobvista under the SFO. Horgos Duanshi Pearl River Equity Investment Co., Ltd. is wholly-owned by Mr. Duan; therefore, Mr. Duan is deemed to be interested in Horgos Duanshi Pearl River Equity Investment Co., Ltd.'s interest in Guangzhou Mobvista under the SFO. As a result, Mr. Duan is deemed to be interested in an aggregate of 35.11% interest in Guangzhou Mobvista, and thus is further deemed to be interested in the 1,127,999,842 Shares which Guangzhou Mobvista is interested in.
- (3) L: Long Position

RSU SCHEMES

(a) Employee RSU Scheme

We adopted the Employee RSU Scheme on 27 September 2018 and amended on 19 November 2018 to incentivize employees and consultants for their contribution to the Group. The Company has appointed Sovereign Trustees Limited as the Employee RSU Trustee to assist with the administration and vesting of RSUs granted pursuant to the Employee RSU Scheme. The Company selects the Employee RSU Participants under the RSU Scheme at its discretion.

The Employee RSU Scheme will be valid and effective for a period of 10 years, commencing from the date of the first grant of the RSUs, being 1 November 2018.

As of 30 June 2019, a total of 52,485,100 underlying Shares, representing approximately 3.4% of the total issued shares, had been granted to RSU Participants pursuant to the Employee RSU Scheme. None of the grantees of the RSUs under the Employee RSU Scheme are Directors, members of the senior management of the Company or otherwise core connected person of the Company.

Herebelow are the details of the RSUs granted and outstanding during the Review Period under the Employee RSU Scheme:

Name of grantees of RSUs	Number of Shares underlying RSUs outstanding at 1 January 2019	RSUs granted during the period from 1 January 2019 to 30 June 2019	RSUs vested during the period from 1 January 2019 to 30 June 2019	RSUs lapsed during the period from 1 January 2019 to 30 June 2019	Number of Shares underlying RSUs outstanding at 30 June 2019
Other employees, and consultants ⁽¹⁾	49,454,400	3,030,700	7,083,100	814,600	44,587,400

Notes:

(1) Comprise 236 other employees as of 1 January 2019 and 241 other employees, 6 consultants as of 30 June 2019.

(b) Management RSU Scheme

We adopted the Management RSU Scheme on 19 November 2018 to incentivize Directors, senior management, officers and consultants of the Company or its subsidiaries for their contribution to the Group. The Company has appointed Sovereign Fiduciaries (Hong Kong) Limited as the Management RSU Trustee to assist with the administration and vesting of RSUs granted pursuant to the Management RSU Scheme. Connected Globe Holdings Limited (a wholly-owned subsidiary of the Management RSU Trustee) holds and manages shares underlying the RSUs for the benefit of eligible participants pursuant to the Management RSU Scheme.

The Management RSU Scheme will be valid and effective for a period of ten (10) years, commencing from the date of the first grant of the RSUs, being 21 November 2018.

As of 30 June 2019, RSUs in respect of 11,150,300 underlying Shares, representing approximately 0.7% of the total issued shares, had been granted to 6 Management RSU Participants pursuant to the Management RSU Scheme. Among the grantees of the RSUs, two are Directors and four are members of the senior management of our Company, details of which are set out in the table below.

Other Information

Name of grantees of RSUs	Number of Shares underlying RSUs outstanding at 1 January 2019	RSUs granted during the period from 1 January 2019 to 30 June 2019	RSUs vested during the period from 1 January 2019 to 30 June 2019	RSUs lapsed during the period from 1 January 2019 to 30 June 2019	Number of Shares underlying RSUs outstanding at 30 June 2019
Directors					
Xi Yuan ⁽¹⁾	1,739,000	—	1,739,000	—	—
FANG Zikai	2,969,100	—	1,552,200	—	1,416,900
Other senior management⁽²⁾	6,442,200	—	1,537,100	—	4,905,100

Notes:

- (1) Mr. Xi Yuan resigned from his director position on 26 July 2019, while maintained his other positions with the Group.
- (2) Including the entity(ies) wholly-owned by the relevant grantees.

Share Option Scheme

The Share Option Scheme conditionally approved and adopted by our Shareholders on 30 October 2018, and became effective on the Listing Date. The purpose of the Share Option Scheme is to incentivize and reward the eligible persons for their contribution to our Group and to align their interests with that of our Company so as to encourage them to work towards enhancing the value of our Company.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme of our Company is 151,886,700 shares, representing 10% of the total number of Shares in issue as at the Listing Date (the “**Scheme Mandate Limit**”).

No options shall be granted to any eligible person under the Share Option Scheme which, if exercised, would result in such eligible person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date.

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, after which period no further options will be granted, the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

During the Review Period, no share option was granted, under the Share Option Scheme since the Listing Date.

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

Neither the Company nor any of the Group's subsidiaries has purchased, sold or redeemed any of the Company's Shares during the Review Period.

MAJOR CUSTOMERS

During the six months ended 30 June 2019, the Group's five largest customers in aggregate accounted for approximately 24.8% (2018: 46.7%) of the Group's total revenue. The Group's largest customer accounted for 6.2% (2018: 36.9%) of the Group's total revenue.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 18 offices around the world and had 741 full-time employees (31 December 2018: 735), primarily based in our headquarters in Guangzhou the PRC. Among all employees, 365 of them are in R&D department. As a percentage of the total full-time employees, R&D employee percentage is 49.3%. The number of employees employed by the Group varies from time to time depending on needs, and employees are remunerated based on reference to market conditions and individual employees' performance, qualification and experience.

As to nurture and retain specialists, the Group has formulated systematic recruitment procedures and offered with competitive benefits and training opportunities. The remuneration policy and package of the Group's employees are periodically reviewed. Employees will be rated according to their appraisals, which in turn affect the performance bonus and share awards they receive.

AUDIT COMMITTEE

The Audit Committee, together with the external auditor, have reviewed the Group's unaudited Interim Financial Information for the Review Period and this Interim Report. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

The Audit Committee was satisfied that the Company's unaudited financial information was prepared in accordance with the applicable accounting standards.

COMPLY WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the corporate governance code (the "CG Code") as set out in Appendix 14 of the Listing Rules as its own code of corporate governance.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and performed by different individuals.

Mr. Duan Wei is the chairman of our Board and the chief executive officer of our Company. With extensive experience in the mobile advertising and mobile analytics industry, Mr. Duan Wei is responsible for the overall strategic planning and general management of our Group and has been an instrumental part of our growth and business expansion since our establishment. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and high-caliber individuals.

Save for the above deviation from the code provision A.2.1, the Company has complied with all the code provisions as set out in the CG Code during the Review Period.

Other Information

MODEL CODE

The Group has adopted “Model Code” as set out in Appendix 10 of the Listing Rules for securities transactions by Directors as its own code of conduct. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code during the Review Period.

INTERIM DIVIDEND

The Board has resolved that no distribution of the interim dividend for the Review Period.

SUBSEQUENT EVENT

On 25 July 2019, the Board resolved the distribution of a special dividend of HK\$0.08 per share to the Shareholders and it was paid to Shareholders on 27 August 2019.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 December 2018 by way of global offering, raising total net proceeds of US\$146.6 million after deducting professional fees, underwriting commissions and other related listing expenses. Over-allotment option was partially exercised on 4 January 2019 and raised total gross proceeds of approximately US\$7.6 million; and the total net proceeds received by the Company were US\$154.2 million.

As at 30 June 2019, the following table sets out the breakdown of the use of proceeds from the global offering:

		Amount Allocated	Amount Utilized	Balance
	Purpose of Net Proceeds	<i>(US\$'000,000)</i>	<i>(US\$'000,000)</i>	<i>(US\$'000,000)</i>
1	Big data and AI technologies and IT infrastructure	46.26	5.70	40.56
2	Improvement of services on our mobile advertising and mobile analytics platform	46.26	4.89	41.37
3	Implement our “Glocal” strategy by enhancing our local service capabilities and expanding our global footprint	15.42	1.66	13.76
4	Strategic investments and acquisitions	30.84	—	30.84
5	General working Capital	15.42	0.72	14.70
	Total (Net Proceeds)	154.20	12.97	141.23

From the Listing Date until the date of this interim report, the Group follows the plan for the use of proceeds as set out in the Prospectus and expects to utilise the balance of the net proceeds of approximately US\$141.23 million in the next 3 years according to the expected timeline as disclosed in the Prospectus.

DEFINITION

“AI”	artificial intelligence
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CG Code” or “Corporate Governance Code”	the “Corporate Governance Code” as contained in Appendix 14 to the Listing Rules
“China” or “PRC”	the Peoples Republic of China
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”, “our Company”, “the Company” or “Mobvista”	Mobvista Inc. (匯量科技有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 16 April 2018
“Connected Person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and unless the context otherwise requires, refers to Seamless, Guangzhou Mobvista and Mr. Duan
“Director(s)”	the director(s) of our Company or any one of them
“DAU”	daily active user
“DAUs of SDK”	representing the number of unique mobile devices on which the codes of the app(s) integrating the SDK called the function in the SDK and resulted in an exchange of data between the app and the SDK platform on that day (multiple calls from the same device are only counted as one DAU)
“Employee RSU Scheme”	the restricted share unit scheme of the Company approved and adopted by our Board on 27 September 2018 and amended on 19 November 2018
“Fengli Trust”	China Industrial International Trust Limited — Fengli Investment Single Fund Trust (Period I)
“Guangzhou Mobvista”	Mobvista Co.,Ltd.* (廣州匯量網絡科技股份有限公司), a company established in the PRC as a joint stock limited company on 15 July 2015 through conversion from a limited liability company (i.e. Guangzhou Huitao) and listed on the NEEQ (stock code: 834299)

Definition

“Group”, “our Group”, or “the Group”	the Company and its subsidiaries from time to time
“Game Analytics”	Game Analytics ApS, a Denmark-based company that operates a SaaS game data analytics platform for game developers
“Guangzhou Huiliang”	Mobvista (Guangzhou) Technology Limited, a company established in the PRC with limited liability on 2 April 2015 and an indirect wholly-owned subsidiary of our Company
“Guangzhou Huimao”	Guangzhou Huimao Investment Management Center (Limited Partnership), a partnership established in the PRC on 13 May 2015 and controlled by Mr. Duan
“Guangzhou Huiqian”	Guangzhou Huiqian Investment Management Centre (Limited Partnership), a partnership established in the PRC on 23 November 2015 and controlled by Mr. Cao
“Guangzhou Huisui”	Guangzhou Huisui Investment Management Co., Ltd., a company established in the PRC with limited liabilities on 8 May 2015 and is owned by Mr. Duan as to 95%
“Hong Kong”	the Hong Kong Special Administrative Region of the Peoples Republic of China
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“IFRS”	the International Financial Reporting Standards, amendments and interpretation issued from time to time by the International Accounting Standards Board
“Listing Date”	12 December 2018, the date on which the Company was listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Management RSU Scheme”	the restricted share unit scheme of the Company approved and adopted by our Board on 19 November 2018
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules

“Mr. Cao”	Mr. CAO Xiaohuan, one of our co-founders, an executive Director and the president of our Company
“Mr. Duan”	Mr. DUAN Wei, our chairman, one of our co-founders, an executive Director and the chief executive officer of our Company
“Mr. Fang”	Mr. FANG Zikai, an executive Director and the chief product officer of our Company
“Mr. Xi”	Mr. XI Yuan, a former executive Director and the vice president of our Company who resigned from director position on 26 July 2019, while maintained his other positions with the Group
“programmatic advertising”	the automatic buying and selling of ad inventories and automatic ad delivery through SDK or API
“Prospectus”	the prospectus of the Company dated 30 November 2018
“Review Period” or “Reporting Period”	the period for the six months ended 30 June 2019
“RMB”	Renminbi yuan, the lawful currency of China
“RSU”	a restricted share unit award granted to a participant under the RSU Schemes
“RSU Schemes”	the Employee RSU Scheme and the Management RSU Scheme
“Seamless”	Seamless Technology Limited, a business company incorporated in the BVI with limited liability on 24 November 2014 and wholly-owned by Guangzhou Mobvista
“SDK”	software development kit, a set of software development tools that allows the creation of applications for a certain software package
“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of US\$0.01 each
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the Share Option Scheme we conditionally adopted pursuant to a resolution passed by our Shareholders on 30 October 2018
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules

Definition

“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“we”, “us” or “our”	our Company or our Group, as the context may require
“YoY”	Year-on-Year change rate as compared to the same period of 2018
“%”	per cent