**Mobvista Inc.**
**匯量科技有限公司**
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock code: 1860)**

# ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

## FINANCIAL HIGHLIGHTS

| | For the Year Ended 31 December | | |
|---|---|---|---|
| | **2019** | 2018 | YoY |
| | ***US$'000*** | *US$'000* | Change |
| **Revenue** | **500,257** | 434,727 | 15.1% |
| **Gross profit** | **118,763** | 97,901 | 21.3% |
| **Profit for the year** | **22,069** | 21,854 | 1.0% |
| **Non-IFRS measures** | | | |
| **Adjusted EBITDA[(1)]** | **51,620** | 43,190 | 19.5% |
| **Adjusted net profit[(2)]** | **40,951** | 35,269 | 16.1% |

(1) We define adjusted EBITDA as EBITDA (which is profit from operations plus depreciation and amortization expenses) for the years adjusted by adding back or excluding share-based compensation expenses, one-off acquisition-related expenses (if any), listing expenses (if any) and investment gain from financial assets at fair value through profit or loss (if any).

(2) We define adjusted net profit as profit for the year adjusted by adding back or excluding share-based compensation expenses, one-off acquisition-related expenses (if any), listing fee (if any) and investment gain from financial assets at fair value through profit or loss (if any).

## BUSINESS HIGHLIGHTS

### Revenue of Programmatic Advertising

320.0 Million (US$)

Increased by 40.8% ▲

### Mintegral was featured in global Power Ranking of advertising platforms of AppsFlyer[1]

13 Mintegral — 2019H1

6 Mintegral — 2019H2

### Revenue

500.3 Million (US$)

Increased by 15.1% ▲

### Adjusted EBITDA

51.6 Million (US$)

Increased by 19.5% ▲

### R&D Expenses

R&D Expense 35.2 Million (US$)

As a % of revenue 7.0%

### Apps[2] and DAU[3] through Our Mintegral SDK

Apps 26,000+

Increased by 276.8% ▲

v.s. the end of 2018

DAU 500 Million

Increased by 47.1% ▲

v.s. the end of 2018

### Server Cost of Programmatic Advertising

As a % of programmatic advertising revenue 4.2% ▼

(2018: 6.6%)

*Notes:*

1 According to the Performance Index Report of Advertising Platforms released by every half year by AppsFlyer, a third-party mobile advertising performance measurement platform based in Israel, our interactive programmatic advertising brand Mintegral was ranked No. 13 in the Global Power Ranking for first half of 2019 and quickly rocketed to No. 6 in the second half of 2019.

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

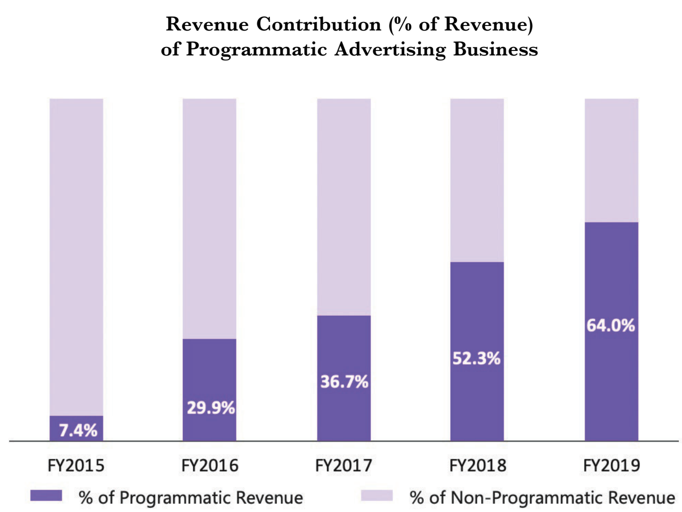
3 We define DAU in this situation as DAU of SDK of Apps which integrated with Mintegral SDK. Its calculation of DAU of SDK is to capture the daily average number in the Q4 of 2019.

# LETTER TO SHAREHOLDERS

## Dear Shareholders

On behalf of the Board, we are pleased to present the Group's annual results for the year ended 31 December 2019.

We began to build our programmatic advertising platform in 2015. Here are some numbers for reference below:




The numbers above show how quickly programmatic revenue has grown as a percentage of our total revenue in the last 5 years, from US$11.7 million in absolute revenue to US$320.0 million at a compound annual growth rate of 128.8%. AppsFlyer, a leading third-party mobile advertising measurement platform based in Israel, publishes a Global Power Ranking Report twice per year which ranks mobile media sources based on aggregated and anonymized customer data. Mintegral, our interactive programmatic advertising platform, was first listed in the AppsFlyer Global Power Ranking in September 2019 and achieved a respectable ranking of 13th place. In the following March 2020 edition, Mintegral's Global Power Ranking jumped to a remarkable 6th becoming the only Chinese Company featured in the Top 10 advertising platforms, largely driven by our position in the bourgeoning programmatic advertising market segment. At the same time, our non-programmatic advertising business reported its first year-on-year decline, from US$207.4 million in 2018 to US$180.2 million in 2019.

Our view is that performance-based advertising will always hold up better during times of global economic uncertainty vs. brand advertising due to the former's predictable Return on Investment ("**ROI**") which is more closely tied to advertiser revenue events. This is especially true for online advertisers in the gaming, content and social categories and aligns well with our customer base. Regardless of how the transaction methods evolve, Mobvista will continue to focus on the performance-based advertising segment with particular emphasis on maximizing advertiser ROI. From our roots helping Chinese advertisers grow in overseas markets, we have evolved into a global organization with 18 offices globally (most recently Sao Paulo, Brazil), presence in more than 60 countries, and partnerships with more than 3,000 advertisers. In fact, by the end of 2019 advertisers from Europe and the America contributed approximate 30% of our revenue.

We have been transforming ourselves from non programmatic to programmatic as our industry is experiencing a revolution that mannual operation are gradually being replaced by automated trading services with high frequency optimizations supported by machine learning algorithms, much like we saw what happens in Wall Street now. This trend arises because of the need to achieve greater efficiency and will require us to double down in our commitment to R&D investment in order to ensure a favorable market position in the long term. In 2019 alone, we invested more than US$35.2 million into R&D, while our sales and marketing expenses were roughly US$10.0 million. In fact, we now have more people in the R&D team than sales, operations and back office teams combined.

We have an ever-growing cluster of cloud-servers processing close to 100 billion ad requests daily. Each ad request and the related decision-making processes are becoming increasingly dependent on AI, which has inspired us to strategically invest in an internal central technology platform and an optimized infrastructure-level technology framework for cloud computing. As a result of those efforts, the percentage of programmatic advertising revenue spent on server infrastructure has declined from 8.5% in 2017 to 4.2% in 2019. Even so, in absolute numbers, Mobvista is still among one of the largest online service providers with an all-in-cloud infrastructure.

From day one, our team has embraced a culture of “Ownership” and a mindset of “keep starting up”. This has allowed us to react to the ever-changing external market with agile and diligent execution. In 2019, we added “focus on Compound Interest” to our company culture which has been at our core since we started this company and captures our attitude towards a future with uncertainty. Under the vision of “Compound Interest”, the company and each individual in the company should focus on spending their time and money based on what will deliver long-term value, not simply based on short-term profit. Our view is that we need to evaluate our return on investment in a 5-year time span at a minimum.

As we are in the pursuit of compound interest, there are decisions we have made or will make that are different than those made by other companies. In the long run, Mobvista will not just help our clients with their needs in performance-based advertising, we will also build the best tools to enable them to achieve their business goals. From analytics, A/B testing, and creative production to data management and online infrastructure optimization, we plan to create an ecosystem of tools to empower global app developers. For example, GameAnalytics helps game developers better understand their user behavior so they can improve retention, increase monetization, and decrease their cost to acquire new users. The platform is leveraged by more than 70,000 developers with almost 100,000 games, and tracks the behavior of more than 1.20 billion monthly active users. For the time being, it is still a free game analytics tool and we will continue to invest to make it better for our clients. Commercialization of the product is not high on our priority list in the short term.

The point about compound interest always goes back to our people. We are adopting an internal market to price our internal collaboration and shared resources to allow our leaders to plan and review their business from a CEO's perspective. We also recognize that we need to motivate our people in the context of their long-term goals with the company, and this is precisely why we chose to IPO in Hong Kong: To attract talent globally, we realized we would need a long-term incentive plan like our RSU scheme so that our people can be stakeholders and beneficiaries of our long-term returns.

Last but not least, I would like to use this opportunity to sincerely thank our clients and partners. The constant push for us to improve gives us the opportunity to create more value. I would also like to thank our shareholders for their continuing support, as well as our global team for their great efforts and accomplishments. We will embrace and deliver "compound interest" for all of you.

Sincerely,

**DUAN Wei**
*Chairman & Executive Director*

**CAO Xiaohuan**
*President & Executive Director*

Guangzhou, the PRC
31 March 2020

The Board (the "**Board**") of Directors (the "**Directors**") of Mobvista Inc. (the "**Company**") hereby announces the audited annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**"). Such annual results have been reviewed by the audit committee of the Company.

## BUSINESS REVIEW

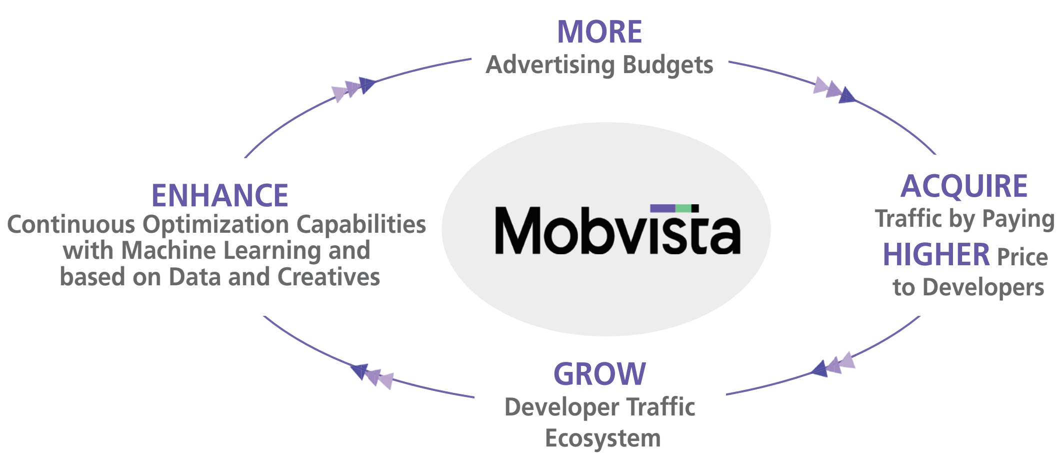
***Business Review for 2019***

We are a comprehensive technology platform providing mobile advertising and data analytics services to application ("**App**") developers worldwide.

In 2019, despite the downward global economic pressure and sluggish demand of the advertising market, the Company maintained a relatively rapid growth. During the Reporting Period, our revenue increased by 15.1% on a year on year basis ("**YoY**") basis to US$500.3 million (2018: US$434.7 million). In particular, the programmatic advertising business grew from US$227.3 million in 2018 to US$320.0 million in 2019, representing an increase of 40.8% on a YoY basis.

In the year of 2019, the remarkable achievements of various businesses of the Company are as follows:

**1. Significant growth in our programmatic advertising business has accelerated the flywheel effect.**



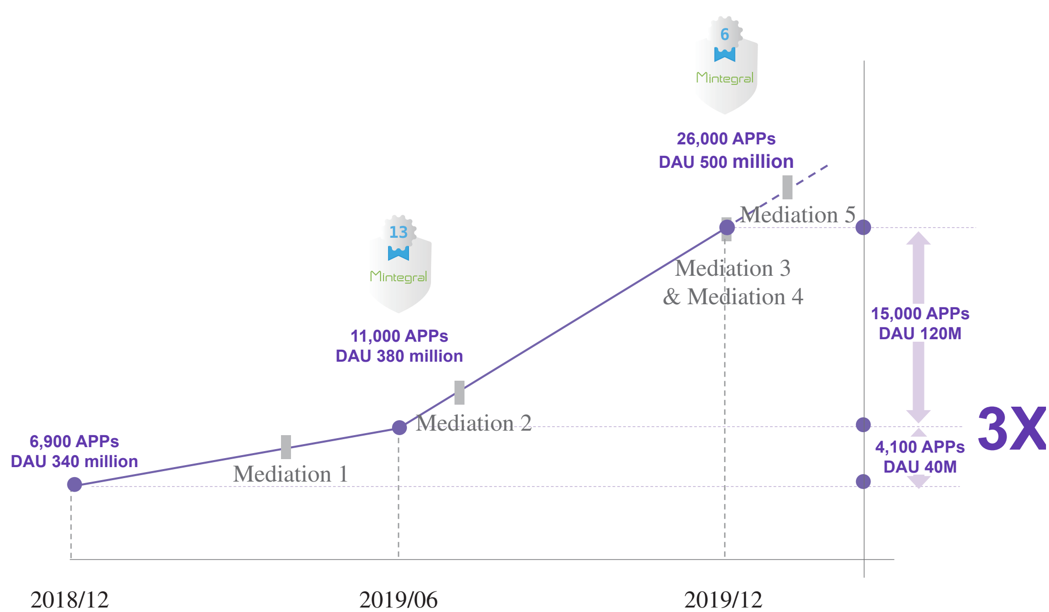

***(1) The market position of the interactive programmatic advertising platform Mintegral significantly improved in the first half of 2019.***

The Company has been investing in the marketing and research and development ("**R&D**") of the programmatic advertising business since 2016. In particular, the Company launched a developer incentive plan in 2018 to encourage high-quality developers in the core markets to integrate our Mintegral SDK into their Apps to expand our coverage of high-quality traffic. Furthermore, due to the continuous improvement of big data machine learning algorithms based on Cloud Native architecture and dynamically-optimized interactive creatives, the delivery capacity of our programmatic advertising to advertisers has been further improved.

Through our unrelenting efforts, our interactive programmatic advertising platform Mintegral has gained brand awareness among advertisers. Mintegral, the only new entrant since 2018, became one of the Top 20 of the Global Power Ranking in the first half of 2019 for the first time. Ranked 13th, it has become a significant force in the competitive landscape of overseas performance advertising platforms.

(2) ***The Mintegral SDK successively integrated with various mainstream Mediation platforms starting in April 2019, resulting in significant growth of programmatic advertising traffic and sharply reduction of the expenses of developer incentive plan.***

We were recognized by the overseas mainstream Ad Monetization Mediation platforms[1] due to the strong market position of Mintegral. Our Mintegral SDK was successively integrated by various overseas mainstream Mediation platforms in April, July and December 2019. We can directly access and use the traffic of the Apps through these Mediation platforms, resulting in significant growth of accessible traffic and independent devices.




[1] Mediation platforms: an important player in the overseas mobile advertising industry. Other than Google, Facebook, Amazon and other developers who have proprietary advertising monetization systems, almost all small and medium overseas developers utilize a Mediation platform to connect advertising platform SDKs and optimize overall advertising revenue. There are approximately six to eight overseas mainstream Mediation platforms and each of them will choose to support a maximum 20 SDK of advertising platforms.

As shown in the graph above, due to the integration of the Mediation platforms with our Mintegral SDK, the number of Apps that have integrated with our Mintegral SDK increased by 15,000 in the second half of 2019, as 3.7 times as the increase of 4,100 in the first half of 2019. The DAUs of the Mintegral SDK increased by 120 million, three times of the increase of 40 million in the first half of the year.

Because of the dual tailwinds of integration with the Mediation platforms and a strong brand position, the expenses in the developer incentive plan saw a significant decrease of 37.0% from US$9.5 million in the first half of 2019 to US$6.0 million in the second half of 2019. As a percentage of the revenue of programmatic advertising, the cost of the developer incentive plan decreased from 7.5% in the first half of the year to 3.1% in the second half of the year. The incentive plan will have no significant impact to the gross profit margin of programmatic advertising revenue of the Company in the future.

***(3) Acceleration of our flywheel effect of programmatic advertising business.***

The exponential growth of App integrations further expanded the breadth and depth of traffic coverage and also improved the precise targeting algorithms. As a result, advertisers allocate more budgets to our platform. We recorded revenue of US$193.2 million from programmatic advertising business for the second half of 2019, representing an increase of 52.5% as compared to the first half of 2019. In addition, our position in the latest Global Power Ranking of advertising platforms rocketed to the 6th in the second half of 2019, according to AppsFlyer.

In February 2020, Mopub, a well-known Mediation platform owned by Twitter, also completed integration with our Mintegral SDK. The latest global ranking of 6th further strengthened the brand effect of Mintegral amongst App developers, accelerated the expansion of traffic coverage, and increased advertising budgets advertisers allocated to us. Our programmatic advertising business traffic and the advertising budgets are driving forces to each other, accelerating the flywheel effect.

**2. The user base of data analytics business has been expending steadily and launched a new paid SaaS services for subscription.**

The data analytics platform is our strategic segment in gaming which is an important vertical category of mobile App industry. On the one hand, as a third-party tool initially used by App developers, the data analytics platform is the entrance of an eco-system for our advertising services, attracting more potential advertisers and traffic resource. On the other hand, the exclusive accumulation of in game user behavior data of our data analytics services allows us to secure a differentiatedly competitive advantage over our peers in terms of algorithm optimization for precise targeting.

As at the end of the fourth quarter of 2019, the total number of game developers using GameAnalytics, our game data analytics platform, was 71,000, covering more than one third of global game users, and including more than 1.20 billion monthly active users.

After a full year of development in 2019, GameAnalytics launched a new paid SaaS service — Benchmarks+ in December built on top of the previous free SaaS service. The paid service, based on the statistics of games collected from free SaaS service of GameAnalytics, helps game developers, media and market research institutions keeping abreast of the latest industrial information for commercial decision-making.

**3. Productization of our Central Technology platform and beginning to commercialize.**

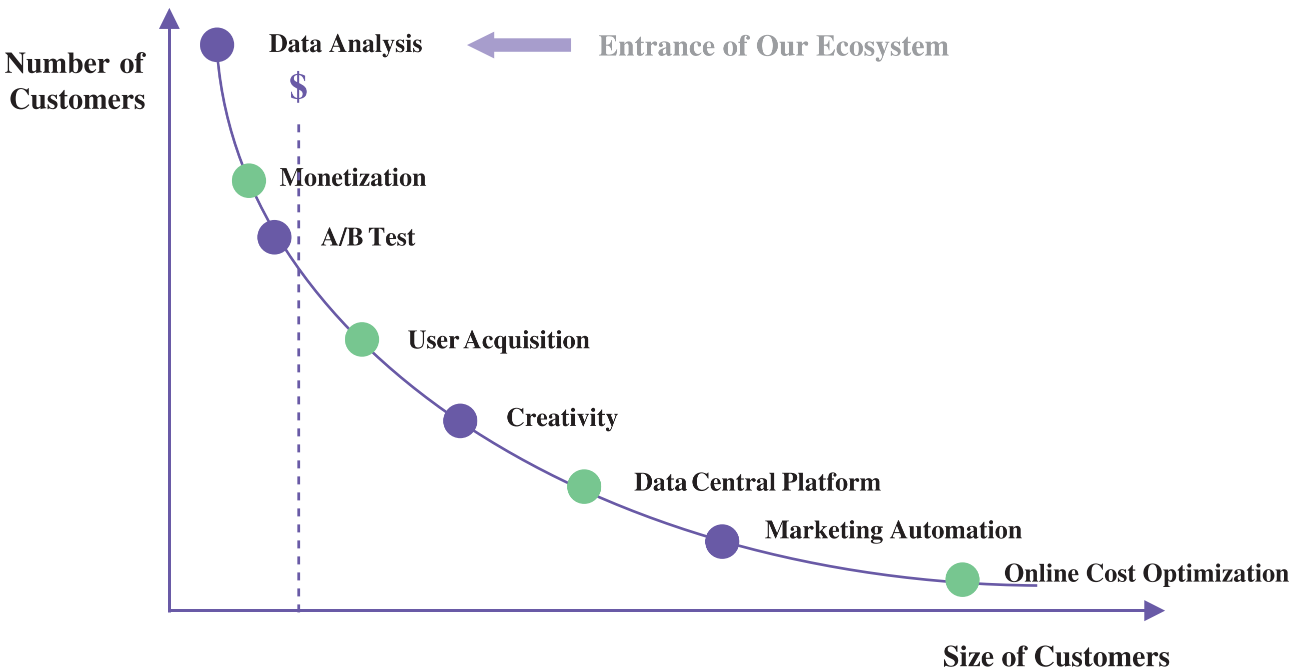
Persistent investment in technical infrastructure is the key to the continuous expansion of our advertising platform business and the formation of competitive barriers in a highly diverse application environment. In 2019, our R&D expenditures were US$35.2 million, representing an increase of 20.5% on a YoY basis compared to US$29.2 million in 2018, accounting for 7.0% of the revenue. The number of R&D personnel increased to 391, accounting for 50.3% of our total employees.

During our journey into programmatic advertising services, we have developed our big data computing engine (EnginePlus), large-scale machine learning algorithm platform (MindAlpha), data management platform (Datatory), and cloud-based elastic cluster management platform (SpotMax) into a central technology platform which can be reused, shared and upgraded. The capability of conducting big data real-time calculations of the central technology platform provides technical support for the precise targeting of advertisements and the continuous improvement of the conversion rate from advertisement display to App installation, promoting the sizable growth of our programmatic business. A more intuitive function of our central technology platform is to drive a reduction in cloud server costs. In 2019, while our programmatic business revenue increased by 40.8%, the server costs for our programmatic business decreased by 10.8%, and the percentage of server costs to programmatic advertising business revenue decreased from 6.6% in 2018 to 4.2%.

Besides supporting our business development, the central technology platform has been productized and commercialized. We have offically joined the AWS Partner Network (APN) from Amazon in July 2019, and offered a series of technology solutions from our central technology platform via AWS markplace to corporate customers in Amazon's eco-system. We have also jointly published the cloud-based elastic cluster management solution (SpotMax) with Alibaba Cloud at the Apsara Conference 2019, empowering App developers in the global expansion of Alibaba Cloud.

The introduction of productization of the central technology platform to the market of leading cloud computing companies domestic and overseas represents our move to offer fundamental technology support for global App developers in addition to the existing mobile advertising platfrom and data analytics services. The connection between us and the App developers will be stronger with expanded business scope.

**Future Strategies**




Our Company persists on providing global App developers with technology solutions and has already built up the ability to offer services presented in the graph above. These services are offered to address different levels of needs of App developers with different business scales. For example, nearly all the App developers will use data analysis service at the early stage of App development and only App developers with sizable business scale facing the pressure of online server costs will seek for solutions to optimize server costs. Our Company will build and continuously improve a "ecosystem of tools" around the service requirement of App developers at different levels.

1. The data analysis business (including A/B Test), as a technical service that App developers must use in the development process, will become the entry-level service of our entire enterprise service ecosystem and continuously expand the customer coverage and customer base for other businesses of the Company. At the same time, the data analysis business will also form a data barrier for the mobile advertising business of the Company that competitors are not able to match, forming a sustainable competitive advantage.

2. The advertising business of the Company corresponds to the monetization, user acquisition and creative services in the graph above, which meets the needs of user acquisition and monetization of App developers and realizes user acquisition with lower cost and monetization with better revenue through excellent creativity. Programmatic advertising business had healthy returns after four-year investment. Against the background of rapid development of internet businesses, we will continually accelerate our flywheel effect of programmatic advertising business, strengthen our brand effect among App developers, and build out the mobile advertising business with a programmatic core, continuous expansion of boundaries, and steady improvement in gross profit margin.

3. The remaining services including data central platform, marketing automation and online server cost optimization are more based on the iteration and extension of our existing technology central platform. Data central platform and marketing automation will be revolutionary for the industry. The Company will evolve from a model that helps customers to make use of their advertising budgets to the model that we provides customers with an easy-to-use system to help them better use advertising budget based on their data automatically. The data central platform, marketing automation, and server cost optimization can meet the needs of leading App developers, as well as the needs of customers in industries other than App developers. In the near future, they will not only be a tool to strengthen the connection with App developers, but will become the most promising business segment of the Company which will expand our customers base beyond App developers and will contribute to the long-term development of the Company.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Revenue

### *Revenue by Type of Services*

During the year ended 31 December 2019, we recorded revenue of US$500.3 million (2018: US$434.7 million),which increased by 15.1% compared to last year. The following table sets forth a breakdown of our total revenue by type of services for years indicated:

| | **For the Year Ended 31 December** | | | | |
|---|---|---|---|---|---|
| | **2019** | | 2018 | | |
| | **US$'000** | **% of Total Revenue** | US$'000 | % of Total Revenue | **YoY Change** |
| Mobile advertising revenue | **500,257** | **100.0%** | 434,688 | 100.0% | **15.1%** |
| Game publishing revenue | **—** | **—** | 39 | — | **—** |
| **Total** | **500,257** | **100.0%** | 434,727 | 100.0% | **15.1%** |

**Mobile advertising revenue continued to grow**. For the year ended 31 December 2019, all of our revenues were derived from mobile advertising services. Revenue from mobile advertising services increased by 15.1% on a YoY basis to US$500.3 million (2018: US$434.7 million).

### *Revenue by Purchasing Model*

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

| | **For the Year Ended 31 December** | | | | |
|---|---|---|---|---|---|
| | **2019** | | 2018 | | |
| | **US$'000** | **% of Mobile Advertising Revenue** | US$'000 | % of Mobile Advertising Revenue | **YoY Change** |
| Programmatic | **320,017** | **64.0%** | 227,312 | 52.3% | **40.8%** |
| Non-programmatic | **180,240** | **36.0%** | 207,376 | 47.7% | **-13.1%** |
| **Total mobile advertising revenue** | **500,257** | **100.0%** | 434,688 | 100.0% | **15.1%** |

**The growth of programmatic advertising revenue accelerated and programmatic purchasing became the primary purchasing model of our mobile advertising platform**. For the year ended 31 December 2019, revenue from programmatic advertising maintained robust growth and increased by 40.8% on a YoY basis to US$320.0 million (2018: US$227.3 million). The revenue contribution from programmatic advertising increased to 64.0%. Due to the ongoing effort to expand the supply of high-quality programmatic traffic and improve our capabilities in both algorithm and interactive advertising creatives such as playable ads, we enhance the performance of our advertising service to drive advertising budget in our platform. This further improves mobile App developers' advertising revenue and thereby encourage more mobile App developers with high-quality traffic to integrate with our programmatic advertising platform. With the growing size of advertising budget and traffic, the flywheel effect on our programmatic advertising service has started to accelerate after integration with the Mediation platform.

In addition, to align with the need for transparent, precise and efficient marketing campaigns, our non-programmatic advertising business extended its product offering to a unified set of marketing solutions which includes both programmatic and non-programmatic advertising services. Although the revenue from non-programmatic advertising decreased in the year of 2019, non-programmatic advertising service will remain an important supplement to our programmatic advertising services in the long run. For the year ended 31 December 2019, revenue from non-programmatic advertising was US$180.2 million (2018: US$207.4 million) and revenue contribution from non-programmatic advertising decreased to 36.0% (2018: 47.7%).

### *Revenue by Geographic Location*

The following table sets forth a breakdown of revenue from mobile advertising by geographic regions[1] for the years indicated:

| | For the Year Ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2019** | | 2018 | | |
| | **US$'000** | **% of Mobile Advertising Revenue** | US$'000 | % of Mobile Advertising Revenue | **YoY Change** |
| China[2] | **291,137** | **58.2%** | 279,964 | 64.4% | **4.0%** |
| EMEA[3] | **72,737** | **14.5%** | 38,913 | 9.0% | **86.9%** |
| Americas[4] | **67,756** | **13.5%** | 41,735 | 9.6% | **62.3%** |
| Asia Pacific | **52,535** | **10.5%** | 55,686 | 12.8% | **-5.7%** |
| Rest of Asia[5] | **10,603** | **2.1%** | 12,102 | 2.8% | **-12.4%** |
| Others | **5,489** | **1.2%** | 6,288 | 1.4% | **-12.7%** |
| **Total mobile advertising revenue** | **500,257** | **100.0%** | 434,688 | 100.0% | **15.1%** |

*Notes:*

(1) The destinations in the table were classified according to locations of advertisers' headquarters.

(2) Includes mainland China, the Hong Kong Special Administrative Region of the People's Republic of China (the "**PRC**"), the Macau Special Administrative Region of the PRC and Chinese Taiwan.

(3) Primarily includes United Kingdom, Switzerland, Germany, Saudi Arabia, Jordan, Egypt, Nigeria.

(4) Primarily includes United States, Canada, Mexico, Brazil, Argentina and Chile.

(5) Primarily includes Central and South Asia.

**The global expansion initiatives from mobile App developers in China, EMEA and the Americas dominated the growth of our mobile advertising revenue**. We earned most of our revenue by providing mobile App developers from China, EMEA and the Americas with user acquisition services in overseas markets. We earned most of our revenue by providing App developers from China with global marketing solutions based on the market trend of China-to-Global. For the year ended 31 December 2019, mobile advertising revenue from App developers in China was US$291.1 million (2018: US$280.0 million), accounting for 58.2% of our mobile advertising revenue. By increasing investment and brand awareness in Europe and the Americas, we also grew our mobile advertising business in EMEA and the Americas significantly. Mobile advertising revenues from EMEA and the Americas increased by 86.9% and 62.3% on a YoY basis to US$72.7 million and US$67.8 million, respectively. Revenue contribution from EMEA and the Americas increased to 14.5% and 13.5%, respectively.

***Revenue by Mobile App Category***

The following table sets forth a breakdown of revenue from mobile advertising by mobile App categories for the years indicated:

| | **For the Year Ended 31 December** | | | | |
|---|---|---|---|---|---|
| | **2019** | | 2018 | | |
| | **US$'000** | **% of Mobile Advertising Revenue** | US$'000 | % of Mobile Advertising Revenue | YoY Change |
| Games | **205,896** | **41.2%** | 117,278 | 27.0% | 75.6% |
| E-commerce | **106,170** | **21.2%** | 73,555 | 16.9% | 44.3% |
| Content and social | **97,994** | **19.6%** | 167,590 | 38.6% | -41.5% |
| Lifestyle | **32,934** | **6.6%** | 24,881 | 5.7% | 32.4% |
| Utility | **28,682** | **5.7%** | 24,816 | 5.7% | 15.6% |
| Other | **28,581** | **5.7%** | 26,568 | 6.1% | 7.6% |
| **Total mobile advertising revenue** | **500,257** | **100.0%** | 434,688 | 100.0% | 15.1% |

**Our advertiser base is diversified in terms of App categories, with the advertising budget from games and e-commerce App developers being the main driver of our revenue growth**. With the ability to provide in-depth insights about the global App market, our mobile advertising services were able to cover advertisers from different App categories. For the year ended 31 December 2019, we achieved varying degrees of growth except for content and social Apps. Among all the App categories, mobile advertising revenues from games, e-commerce and lifestyle Apps increased by 75.6%, 44.3% and 32.4% on a YoY basis respectively. They collectively achieved revenues of US$345.0 million, accounting for 69.1% of mobile advertising revenue.

By shifting market strategy from cross-promotion to massive user acquisition, hyper-casual games have become popular all over the world in 2019. On the other hand, the market promotion of content and social applications, such as short video applications, has decreased as compared with 2018. As we strategically allocated more resources such as traffic to games, game App developers have replaced content and social App developers as the largest customer categories to our mobile advertising business. For the year ended 31 December 2019, revenue from games increased by 75.6% on a YoY basis to US$205.9 million (2018: US$117.3 million) and revenue contribution from games increased to 41.2% (2018: 27.0%). 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. We developed strong competence with respect to the synergies between our traffic resources, unique creative capabilities, interactive advertising formats and data analytics products for our games, which attracted more games App 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.

In addition, as a mobile advertising platform focusing on global marketing services, we became an important partner of many e-commerce App developers looking to acquire users, benefitting from the accelerated international expansion of global e-commerce platforms and increasing advertising budgets. Therefore, the scale of our e-commerce business grew rapidly. For the year ended 31 December 2019, revenue from e-commerce business increased by 44.3% on a YoY basis to US$106.2 million (2018: US$73.6 million).

### *Costs of Sales*

During the year ended 31 December 2019, our costs of sales increased by 13.3% on a YoY basis to US$381.5 million (2018: US$336.8 million). This 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 years indicated:

| | For the Year Ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2019** | | 2018 | | |
| | **US$'000** | **% of Total Revenue** | US$'000 | % of Total Revenue | **YoY Change** |
| **Mobile advertising costs** | **381,494** | **76.3%** | 336,802 | 77.5% | **13.3%** |
| Traffic acquisition costs | **365,830** | **73.1%** | 319,023 | 73.4% | **14.7%** |
| Server costs | **15,664** | **3.1%** | 17,779 | 4.1% | **-11.9%** |
| **Game publishing costs** | **—** | **—** | 24 | — | **—** |
| **Total** | **381,494** | **76.3%** | 336,826 | 77.5% | **13.3%** |

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

| | For the Year Ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2019** | | 2018 | | |
| | **US$'000** | **% of Programmatic Revenue** | US$'000 | % of Programmatic Revenue | **YoY Change** |
| **Programmatic costs** | **246,359** | **77.0%** | 180,887 | 79.6% | **36.2%** |
| Traffic acquisition costs | **233,045** | **72.8%** | 165,959 | 73.0% | **40.4%** |
| Server costs | **13,314** | **4.2%** | 14,928 | 6.6% | **-10.8%** |
| | **US$'000** | **% of Non-programmatic Revenue** | US$'000 | % of Non-programmatic Revenue | **YoY Change** |
| Non-programmatic costs | **135,135** | **75.0%** | 155,915 | 75.2% | **-13.3%** |
| Traffic acquisition costs | **132,785** | **73.7%** | 153,064 | 73.8% | **-13.2%** |
| Server costs | **2,350** | **1.3%** | 2,851 | 1.4% | **-17.6%** |

**More advanced technology platform further lower the server costs as the economies of scale of programmatic business grew.** Programmatic advertising services require us to incur higher server costs than non-programmatic advertising services do. For the year ended 31 December 2019, the server costs of programmatic advertising as a percentage of programmatic advertising revenue is 4.2%, compared to the server costs of non-programmatic advertising as a percentage of revenue for the non-programmatic advertising services of 1.3%.

Our continuous R&D investment in server architecture and elastic cloud computing enhanced the efficiency of server allocation for our businesses. With our growing scale of programmatic advertising services, we effectively reduced server costs incurred by each additional request by our mobile advertising platform. For the year ended 31 December 2019, the server costs of programmatic advertising services decreased by 10.8% on a YoY basis while our programmatic advertising revenue increased by 40.8% on a YoY basis, and the server costs as a percentage of programmatic advertising revenue decreased to 4.2% (2018: 6.6%). 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 increasing profit margins for the mobile advertising services.

To grow programmatic advertising business at scale globally, we continued to deepen our partnership with quality traffic channels. For the year ended 31 December 2019, as our programmatic advertising revenue grew, our traffic acquisition costs increased by 40.4% on a YoY basis to US$233.0 million (2018: US$166.0 million). As we were ranked 6th on global Power Ranking in the Performance Index Report of Advertising Platforms released by AppsFlyer, Mintegral, our interactive programmatic advertising platform, is widely recognized by App developers and Mediation platforms, resulting in exponential growth in the number of Apps and mobile devices accessible to Mintegral. Because of the improvements in the brand awareness and market position, the subsidies of incentive plan which we have implemented since 2018 to encourage high quality App developers to adopt Mintegral SDK decreased sharply in 2019. For the year ended 31 December 2019, programmatic traffic acquisition cost incurred by the incentive plan was US$15.5 million and such cost as a percentage of programmatic advertising revenue was narrowed to 4.8% (2018: 9.8%). It is foreseeable that, with rising brand awareness and continuous integration with Mediation platforms such as Mopub, the subsidies of incentive plan will further decrease in the future, and the impact on costs will no longer be significant.

**The contribution of non-programmatic advertising acquisition to revenue decreased, while the cost ratio remained stable.** For the year ended 31 December 2019, the cost of sales for non-programmatic advertising services decreased to US$135.1 million. Non-programmatic advertising cost as a percentage of non-programmatic advertising revenue had no material change. As a percentage of non-programmatic advertising revenue, the traffic acquisition costs of non-programmatic advertising services decreased slightly to 73.7%. The proportion of server costs slightly decreased to 1.3%.

*Gross Profit and Gross Profit Margin*

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

| For the Year Ended 31 December | | | | |
|---|---|---|---|---|
| **2019** | | 2018 | | |
| **Gross Profit** | **Gross Profit Margin** | Gross Profit | Gross Profit Margin | **Gross Profit YoY Change** |
| ***US$'000*** | ***%*** | *US$'000* | *%* | ***%*** |
| **118,763** | **23.7%** | 97,901 | 22.5% | **21.3%** |

**The gross profit continued to increase and its growth exceeded the growth of revenue.** For the year ended 31 December 2019, our gross profit increased by 21.3% on a YoY basis to US$118.8 million (2018: US$97.9 million). Our gross profit margin increased to 23.7% (2018: 22.5%).

The following table sets forth our gross profit and gross profit margin from mobile advertising by purchasing model for the years indicated:

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2019** | | 2018 | | |
| | **Gross Profit** | **Gross Profit Margin** | Gross Profit | Gross Profit Margin | **Gross Profit YoY Change** |
| | ***US$'000*** | ***%*** | *US$'000* | *%* | ***%*** |
| Programmatic | **73,658** | **23.0%** | 46,425 | 20.4% | **58.7%** |
| Non-programmatic | **45,105** | **25.0%** | 51,461 | 24.8% | **-12.4%** |
| Total | **118,763** | **23.7%** | 97,886 | 22.5% | **21.3%** |

**The market position of programmatic advertising platform and technical capabilities for precise positioning and efficient conversion were improved, resulting in higher gross profit and gross profit margin of the programmatic advertising business.** For the year ended 31 December 2019, gross profit of our programmatic advertising business increased by 58.7% on a YoY basis to US$73.7 million (2018: US$46.4 million). Due to our continuous investments on the development of infrastructure to optimize of our server costs, and the mutual flywheel effect of programmatic traffic and advertiser budget, our bargaining power in programmatic business has steadily improved. For the year ended 31 December 2019, the gross profit margin of our programmatic advertising business increased to 23.0% (2018: 20.4%).

In 2019, in order to expand the traffic resources in Europe and the Americas and attract more advertising budget, we continued to implement incentive plans encouraging high quality App developers to adopt the Mintegral SDK by way of transferring part of our gross profit to developers . In addition, due to stronger brand position and advanced programmatic advertising technology, we successfully reduced the cost of incentive plan. The cost of incentive plan for 2019 was US$15.5 million, representing 4.8% of the income of programmatic advertising business and significantly lower than 9.8% for 2018. In the future, the flywheel acceleration effect of our business growth will further consolidate our market position and attract more integration of Mediation platform. The cost of our incentive plan will be further reduced, resulting in higher profit margin of the programmatic advertising business.

**The gross profit of the non-programmatic advertising business decreased along with the revenue of the programmatic advertising business, and the gross profit margin remained stable.** For the year ended 31 December 2019, the gross profit of our non-programmatic advertising business decreased to US$45.1 million (2018: US$51.5 million), with a gross profit margin of 25.0%, which remained stable compared to that of last year (2018: 24.8%).

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

| | **For the Year Ended 31 December** | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2019** | | | 2018 | | | |
| | **Gross Profit** | **Percentage of Gross Profit** | **Gross Profit Margin** | Gross Profit | Percentage of Gross Profit | Gross Profit Margin | **Gross Profit YoY Change** |
| | ***US$'000*** | *%* | *%* | *US$'000* | *%* | *%* | *%* |
| Games | **50,337** | **42.4%** | **24.4%** | 34,137 | 34.9% | 29.1% | **47.5%** |
| E-commerce | **31,299** | **26.4%** | **29.5%** | 22,473 | 23.0% | 30.6% | **39.3%** |
| Content and social | **19,265** | **16.2%** | **19.7%** | 24,746 | 25.3% | 14.8% | **-22.1%** |
| Lifestyle | **9,351** | **7.9%** | **28.4%** | 7,735 | 7.9% | 31.1% | **20.9%** |
| Utility | **5,270** | **4.4%** | **18.4%** | 4,212 | 4.3% | 17.0% | **25.1%** |
| Other | **3,241** | **2.7%** | **11.3%** | 4,583 | 4.6% | 17.3% | **-29.3%** |
| **Total** | **118,763** | **100.0%** | **23.7%** | 97,886 | 100.0% | 22.5% | **21.3%** |

**From the perspective of App categories, our total gross profit was mainly derived from gross profit generated from our advertising business which promotes games, e-commerce and content and social categories**. For the year ended 31 December 2019, the gross profit generated by our App advertising business in games, e-commerce and content and social categories accounted for 85.0% of our total gross profit.

**Our total gross profit growth in 2019 was mainly driven by the growth of our advertising business in games, e-commerce and lifestyle service App categories**. Excluding content and social App advertising, the gross profit of all other categories of our App advertising business showed a different degree of growth. Among which, the gross profit of game, e-commerce and lifestyle service App advertising business increased significantly along with the substantial increase in our revenue.

For the year ended 31 December 2019, with the expansion of the revenue from our game advertising revenue, the gross profit from our game App advertising increased to US$50.3 million (2018: US$34.1 million), representing an increase of 47.5% on a YoY basis. 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. We adopted a proactive marketing strategy to expand our market share at a relatively low gross profit margin. Our competency in hyper-casual game promotion attracted more advertising budgets from hyper-casual game developers and hence contributed to the significant increase in revenue and gross profit of our game App advertising services.

On the other hand, the trend that more e-commerce Apps are globalizing and lifestyle service Apps beginning to emerge around the world led to increasing advertising budgets from developers in these two categories. As a result, the gross profit of e-commerce and lifestyle service category advertisements in our mobile advertising business has also increased along with the expansion of our revenue. For the year ended 31 December 2019, the gross profit generated from our e-commerce and lifestyle service App advertising business increased by 39.3% and 20.9% on a YoY basis to US$31.3 million and US$9.4 million, respectively.

### *Selling and Marketing Expenses*

During the year ended 31 December 2019, we recorded selling and marketing expenses of US$10.0 million (2018: US$7.8 million), 28.2% higher on a YoY basis. The increase was mainly due to share-based compensations recorded in selling and marketing expenses. If we disregard the impact from the related share-based compensations, our selling and marketing expenses will increase by 16.3% on a YoY basis to US$8.0 million (2018: US$6.9 million), which accounting for 1.6% (2018: 1.6%) of our revenue, remaining at a relatively low level. As our mobile advertising business is to deliver user-installed performance advertisements to mobile application developers, we will mainly satisfy the needs of users for high-quality user installations with the provision of quality advertising technology and services. Efforts will also be made to enhance our brand influence in the market in order to obtain a larger share of mobile advertising budget. Therefore, we are not required to have substantial sales and marketing expenses to maintain sustainable growth in business scale.

### *Research and Development Expenses*

As mentioned above, we provide mobile advertising services based on the delivery of user-installed performance advertisement. Continuous R&D investment helps us accurately identify potential target user groups of advertisers amid heavy data traffic at a lower cost. The investment also helps us achieve higher conversion rate to allow installation and delivery for high-quality users, which ultimately results in higher revenue and gross profit. In addition, mobile advertising technology is also undergoing rapid iteration. We have to maintain a certain amount of R&D investment to sustain our leading position and enhance core competitiveness in the ever-changing mobile internet advertising industry. As such, we continued to invest in R&D activities for programmatic advertising products, cloud computing infrastructure, big data and artificial intelligence. For the year ended 31 December 2019, our R&D expenses was US$35.2 million (2018: US$29.2 million). The increase was primary due to the increase in share-based compensation recorded in R&D expenses. If we exclude the related share-based compensation expenses, the R&D expenses will only slightly increase by 0.8% to US$27.1 million (2018: US$26.9 million). As a percentage of revenue for the current period, our R&D expenses decreased to 5.4% (2018: 6.2%). Since we have established competitive edge in technology, the growth in the number of R&D personnel will slow down and we will maintain stable growth in R&D investment.

### *General and Administrative Expenses*

During the year ended 31 December 2019, our general and administrative expenses increased to US$51.2 million (2018: US$35.9 million).

The share-based compensation expenses included in general and administrative expenses increased to US$9.5 million in 2019. If we disregard the impact of related share-based compensation expenses over the same period of these two years, our general and administrative expenses will increase by 27.3% on a YoY basis to US$41.7 million (2018: US$32.8 million), accounting for 8.3% (2018: 7.5%) of the revenue over the same period.

### *Profit from Operations*

During the year ended 31 December 2019, our operating profit was US$25.2 million (2018: US$26.9 million). If we disregard the impact from the share-based compensation expenses, the profit from operations will increase by 35.0% on a YoY basis to US$45.1 million (2018: US$33.4 million).

### *Finance Costs*

During the year ended 31 December 2019, our finance costs increased to US$1.7 million (2018: US$0.8 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 year ended 31 December 2019, our income tax expenses decreased to US$1.4 million (2018: US$4.3 million). The decrease was mainly driven by the movement in deferred tax.

### *Profit Attributable to Equity Holders of the Company*

During the year ended 31 December 2019, our profit attributable to equity holders of the Company increased by 1.0% on a YoY basis to US$22.1 million (2018: US$21.9 million). In 2018 and 2019, we granted the share-based incentives to the eligible management and employees. The share-based compensation expenses were recognised over the service period of these management and employees resulting in an expenditure of US$19.9 million (2018: US$6.4 million) for the year ended 31 December 2019. If we disregard the impact of the share-based compensation expenses, the profit attributable to equity holders of the Company will increase by 48.3% on a YoY basis to US$42.0 million (2018: US$28.3 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.

| | **For the Year Ended 31 December** | | | | |
|---|---|---|---|---|---|
| | **2019** | | 2018 | | |
| | **US$'000** | **% of Total Revenue** | US$'000 | % of Total Revenue | **YoY Change** |
| Profit from operations | **25,176** | **5.0%** | 26,939 | 6.2% | **-6.5%** |
| Add back: | | | | | |
| Depreciation and amortization | **7,562** | **1.5%** | 2,836 | 0.7% | **166.6%** |
| **EBITDA** | **32,738** | **6.5%** | 29,775 | 6.8% | **10.0%** |
| Add back: | | | | | |
| Share-based compensation expenses | **19,891** | **4.0%** | 6,448 | 1.5% | **208.5%** |
| One-off expenses related to acquisitions | **—** | **—** | 34 | — | **—** |
| Listing expenses | **—** | **—** | 6,933 | 1.6% | **—** |
| Investment gain from financial assets at fair value through profit or loss | **(1,009)** | **-0.2%** | — | — | **—** |
| **Non-IFRS measures Adjusted EBITDA[1]** | **51,620** | **10.3%** | 43,190 | 9.9% | **19.5%** |

*Note:*

(1) We define adjusted EBITDA as EBITDA (which is profit from operations plus depreciation and amortization expenses) for the years adjusted by adding back or excluding share-based compensation expenses, one-off acquisition-related expenses (if any), listing expenses (if any) and investment gain from financial assets at fair value through profit or loss (if any).

| | For the Year Ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2019** | | 2018 | | |
| | **US$'000** | **% of Total Revenue** | US$'000 | % of Total Revenue | **YoY Change** |
| Profit for the year | **22,069** | **4.4%** | 21,854 | 5.0% | **1.0%** |
| Add back: | | | | | |
| Share-based compensation expenses | **19,891** | **4.0%** | 6,448 | 1.5% | **208.5%** |
| One-off acquisition-related expenses | **—** | **—** | 34 | — | **—** |
| Listing expenses | **—** | **—** | 6,933 | 1.6% | **—** |
| Investment gain from financial assets at fair value through profit or loss | **(1,009)** | **-0.2%** | — | — | **—** |
| **Non-IFRS measure** | | | | | |
| **Adjusted net profit[1]** | **40,951** | **8.2%** | 35,269 | 8.1% | **16.1%** |

*Note:*

(1) We define adjusted net profit as profit for the year adjusted by adding back or excluding share-based compensation expenses, one-off acquisition-related expenses (if any), listing fee (if any) and investment gain from financial assets at fair value through profit or loss (if any).

With the increase in gross profit margin of our mobile advertising business, we have achieved effectively controlled the increases in other expenses and thereby strengthened the profitability of our mobile advertising business. As previously mentioned, because of our persistent investment in central platform technology and continuous improvement in market awareness, our mobile advertising business was able to spin the flywheel much faster and hence improve the bargaining power of our mobile advertising business and increase our gross profit. In the meanwhile, our spending in other expenses have also maintained at the same level of the previous year, resulting in a greater profitability for our mobile advertising business. If we disregard the impact from the related share-based compensations, as a percentage of our revenue for the Reporting Period, the selling and marketing expenses will remain the same as that of the previous year at 1.6% (2018: 1.6%) and the R&D expenses will decrease to 5.4% (2018: 6.2%). As a result, the adjusted EBITDA for the reporting period will increase by 19.5% to US$51.6 million (2018: US$43.2 million) on a YoY basis and adjusted net profit will increase by 16.1% to US$41.0 million (2018: US$35.3 million) on a YoY basis.

***Capital Structure and Gearing Ratio***

As at 31 December 2019, our total assets were US$511.5 million (31 December 2018: US$406.2 million), while our total liabilities were US$245.4 million (31 December 2018: US$174.5 million). The gearing ratio (total liabilities divided by total assets) increased to 48.0% (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 at 31 December 2019, our cash and cash equivalents amounted to US$67.3 million (31 December 2018: US$64.9 million).

### *Capital Expenditure*

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

| | **For the Year Ended 31 December** | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$'000*** | *US$'000* |
| Property, plant and equipment | **462** | 658 |
| Intangible assets and development costs | **11,677** | 4,058 |
| Prepayment for properties | **—** | 756 |
| **Total** | **12,139** | 5,472 |

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 at 31 December 2019, capital expenditure increased to US$12.1 million (31 December 2018: US$5.5 million). The increase in capital expenditure mainly reflected the increase in the capitalized research and development expenses. In 2019, the capitalized research and development expenses increased to US$11.6 million (2018: US$3.8 million).

### 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 Reporting Period.

### Charges on Group's Assets

As at 31 December 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 31 December 2019, the Group did not hold any material investment and there was no specific plan for material investments or capital assets.

## Contingent Liabilities and Financial Guarantees

As at 31 December 2019, there is no contingent liability or financial guarantee granted to third parties of the Group.

## 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 non-US dollar currencies 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 foreign exchange exposures.

## Employee and Remuneration Policies

As at 31 December 2019, the Group had 18 offices around the world and had 777 full-time employees (31 December 2018: 735), primarily based in our headquarters in Guangzhou the PRC. Among all employees, 391 of them are in R&D department. R&D employees comprise of 50.3% of full-time employees. 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.

In order to nurture and retain specialists, the Group has formulated systematic recruitment procedures and offers 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.

## OTHER INFORMATION

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, the Group's five largest customers in aggregate accounted for approximately 16.8% of the Group's total revenue. The Group's largest customer accounted for 5.3% of the Group's total revenue.

During the year ended 31 December 2019, the Group's five largest suppliers in aggregate accounted for approximately 29.5% of the Group's total purchase. The Group's largest supplier accounted for 10.4% of the Group's total purchase.

To the best of the knowledge of the Directors, none of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the Group's five largest customers and suppliers.

## USE OF PROCEEDS FROM THE INITIAL PUBLIC 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 (the "**Listing Date**") by way of global offering, raising total net proceeds of approximately 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 as at 31 December 2019, the total net proceeds received by the Company were approximately US$154.2 million.

As at 31 December 2019, the following table sets out the breakdown of the use of proceeds from the global offering:

| | **Purpose of Net Proceeds** | **Amount Allocated** *(US$'000,000)* | **Amount Utilized** *(US$'000,000)* | **Balance** *(US$'000,000)* |
|---|---|---|---|---|
| 1 | Big data and AI technologies and IT infrastructure | 46.3 | 9.5 | 36.8 |
| 2 | Improvement of services on our mobile advertising and mobile analytics platform | 46.3 | 8.2 | 38.1 |
| 3 | Implement our "Glocal" strategy by enhancing our local service capabilities and expanding our global footprint | 15.4 | 2.4 | 13.0 |
| 4 | Strategic investments and acquisitions | 30.8 | 1.3 | 29.5 |
| 5 | General working Capital | 15.4 | 1.1 | 14.3 |
| | **Total (Net Proceeds)** | **154.2** | **22.5** | **131.7** |

From the Listing Date to the date of this announcement, the Group has followed the plan for the use of proceeds as set out in the Prospectus of the Company and expects to utilise the balance of the net proceeds of approximately US$131.7 million in the next 2 years.

## PURCHASE, SALE AND REDEMPTION OF THE COMPANYS 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 Reporting Period.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standard of corporate governance to saftguard the interest of the shareholders and to enhance corporate value and accountability. The Company has adopted the corporate governace code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Pursuant to A.2.1 of the CG Code, the roles of the chairman and chief executive should be separated and performed by the different individual.

Mr. DUAN Wei is the chairman of the Board and the chief executive officer of our Company. With extensive experience in the mobile advertising and mobile analytics industry, Mr. DUAN is responsible for the overall strategic planning and general management of our Group and has 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 as the above, the Company has applied the principles and code provisions as set out in the CG Code during the Reporting Period.

## MODEL CODE

The Group has adopted the Model Code for Securities Transactions by Directors of Listing Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules for securities transactions by Directors as its own code of conduct. Having made specific enquiry of all Directors, each of the Directors has complied with the required standards as set out in the Model Code during the Reporting Period.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company during the year ended 31 December 2019.

## DIVIDEND POLICY AND FINAL DIVIDEND

Under the Articles of Association, our Company in general meeting may declare dividends in any currency to be paid to our shareholders, provided that no dividend shall exceed the amount recommended by our Directors. In addition, our Directors may from time to time pay to our shareholders such interim dividends as appear to our Directors to be justified by the profits of our Company. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require a foreign-invested enterprise to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. Distributions from us and our subsidiaries may also become subject to any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

During the period from the Listing Date to 31 December 2019, the Company declared special dividend of HK$122.74 million to its shareholders.

No final dividend was recommended by the Board for the year ended 31 December 2019.

## SUBSEQUENT EVENTS

The coronavirus outbreak since early 2020 has brought about additional uncertainties in the Group's operating environment and might impact the Group's operations and financial position. The Group has been closely monitoring the impact of the coronavirus outbreak on the Group's businesses and has put in place contingency measures. These contingency measures include but not limited to negotiating repayment schedule of some debtors, assessing our supplier's readiness, continually monitoring oversea offices' daily operation and strengthening cost control. So far, the management has not identified any significant impacts from the outbreak of coronavirus which require adjustment to or disclosure in the financial statement. Except for the event of the coronavirus outbreak, there have been no other events subsequent to 31 December 2019 which require adjustment to or disclosure in the financial statement as at the date of this announcement.

## REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the audited consolidated financial statements of the Group during the Reporting Period. The figures in this preliminary announcement of the results of the Group for 2019 have been agreed to the amounts set out in the Group's audited consolidated financial statements for the year by the auditor of the Company, KPMG. The work of KPMG in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained a public float of no less than 25% of the issued shares as at the date of this announcement, which was in line with the requirement under the Listing Rules.

## ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting ("**AGM**") will be held on Tuesday, 16 June 2020. A notice convening the AGM and all other relevant documents will be published and dispatched to shareholders in April 2020.

## CLOSURE OF REGISTER OF MEMBERS

The registers of members of the Company will be closed from Thursday, 11 June 2020 to Tuesday, 16 June 2020, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at AGM to be held on 16 June 2020, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfers documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 10 June 2020.

## PUBLICATION OF 2019 ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement of the Group for 2019 is published on the websites of the Stock Exchanges (www.hkexnews.hk) and the Company (www.mobvista.com). The 2019 Annual Report containing all applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in April 2020.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2019*
*(Expressed in United States dollar)*

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ***US$'000*** | *US$'000* |
| **Revenue** | 2 | **500,257** | 434,727 |
| Cost of sales | | **(381,494)** | (336,826) |
| **Gross Profit** | | **118,763** | 97,901 |
| Selling and marketing expenses | | **(9,988)** | (7,792) |
| Research and development expenses | | **(35,241)** | (29,212) |
| General and administrative expenses | | **(51,230)** | (35,897) |
| Other net income | | **2,872** | 1,939 |
| **Profit from operations** | | **25,176** | 26,939 |
| Finance costs | | **(1,718)** | (788) |
| **Profit before taxation** | | **23,458** | 26,151 |
| Income Tax | 3 | **(1,389)** | (4,297) |
| **Profit for the year attributable to equity shareholders of the Company** | | **22,069** | 21,854 |
| **Earnings per share** | 4 | | |
| Basic (United States dollar cents) | | **1.50** | 1.91 |
| Diluted (United States dollar cents) | | **1.47** | 1.87 |

*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 1(c).

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2019*
*(Expressed in United States dollar)*

| | **2019** | 2018 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| **Profit for the year** | **22,069** | 21,854 |
| **Other comprehensive income for the year** | | |
| Item that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of financial statements of overseas subsidiaries | **503** | (64) |
| **Total comprehensive income for the year attributable to equity shareholders of the Company** | **22,572** | 21,790 |

*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 1(c).

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*At 31 December 2019*
*(Expressed in United States dollar)*

| | Note | **31 December 2019 US$'000** | 31 December 2018 US$'000 (Note) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **8,836** | 656 |
| Intangible assets | | **14,682** | 5,989 |
| Goodwill | | **28,998** | 28,998 |
| Deferred tax assets | | **10,102** | 7,749 |
| Other financial assets | | **1,433** | 71,000 |
| Deposits and prepayments | | **3,302** | 1,306 |
| | | **67,353** | 115,698 |
| **Current assets** | | | |
| Trade and other receivables | 5 | **317,651** | 220,854 |
| Restricted cash | | **5,021** | 4,754 |
| Cash and cash equivalents | | **67,348** | 64,865 |
| Other financial assets | | **53,796** | – |
| Current tax recoverable | | **316** | – |
| | | **444,132** | 290,473 |
| **Current liabilities** | | | |
| Trade and other payables | 6 | **172,871** | 152,101 |
| Current tax payable | | **6,380** | 4,794 |
| Bank loans | | **55,471** | 16,697 |
| Lease liabilities | | **4,276** | – |
| | | **238,998** | 173,592 |
| **Net current assets** | | **205,134** | 116,881 |
| **Total assets less current liabilities** | | **272,487** | 232,579 |

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*At 31 December 2019*
*(Expressed in United States dollar)*

| | Note | **31 December 2019** *US$'000* | 31 December 2018 *US$'000* *(Note)* |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **1,167** | 915 |
| Lease liabilities | | **5,137** | – |
| Other non-current liabilities | | **143** | – |
| | | **6,447** | 915 |
| **Net Assets** | | **266,040** | 231,664 |
| **Capital And Reserves** | | | |
| Share Capital | 7 | **15,341** | 15,188 |
| Reserves | | **250,699** | 216,476 |
| **TOTAL EQUITY** | | **266,040** | 231,664 |

*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 1(c).

# NOTES TO THE AUNNAL FINANCIAL STATEMENTS

*(Expressed in United States dollars unless otherwise indicated)*

## 1 Significant accounting policies

### (a) Statement of compliance

The consolidated results set out in this announcement do not constitute the consolidated statements of Mobvista Inc. (the "**Company**") and its subsidiaries (the "**Group**") for the year ended 31 December 2019 but are extracted from those consolidated financial statements.

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### (b) Basis of preparation of the financial statements

The financial statements is presented in United States dollar ("**US$**"), rounded to the nearest thousand. The functional currency of the Company is Hong Kong dollars. The measurement basis used in the preparation of the financial statements is the historical cost basis except the investments in debt and equity securities are stated at fair value.

**(c) 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. 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.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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) *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.

(b) *Lessee accounting and transitional impact*

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.

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.

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

| | **1 January 2019**<br>*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 | 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.

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** | **Capitalisation of operating lease contracts** | **Carrying amount at 1 January 2019** |
|---|---|---|---|
| | *US$'000* | *US$'000* | *US$'000* |
| Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16: | | | |
| Other property, plant and equipment | 656 | 12,818 | 13,474 |
| Other receivables- non current | 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** |

*(c) 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 give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated 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.

| | **2019** | | | | 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)** | **Hypothetical amounts for 2019 as if under IAS 17 (D=A+B+C)** | Compared to amounted reported for 2018 under IAS 17 |
| | ***US$'000*** | ***US$'000*** | ***US$'000*** | ***US$'000*** | *US$'000* |
| **Financial result for year ended 31 December 2019 impacted by the adoption of IFRS 16:** | | | | | |
| **Profit from operations** | **25,176** | **4,250** | **(4,514)** | **24,912** | 11,519 |
| Finance costs | **(1,718)** | **545** | **–** | **(1,173)** | (231) |
| **Profit before taxation** | **23,458** | **4,795** | **(4,514)** | **23,739** | 11,288 |
| **Profit for the year** | **22,069** | **4,795** | **(4,514)** | **22,350** | 10,131 |

| | 2019 | | | 2018 |
|---|---|---|---|---|
| | **Amounts reported under IFRS 16 (A)** | **Estimated amounts related to operating leases as if under IAS 17 (note 1 & 2) (B)** | **Hypothetical amounts for 2019 as if under IAS 17 (C=A+B)** | Compared to amounts reported under IAS 17 |
| | *US$'000* | *US$'000* | *US$'000* | *US$'000* |
| **Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of IFRS 16:** | | | | |
| Cash (used in)/generated from operations | (1,081) | (4,814) | (5,895) | 3,817 |
| **Net cash used in operating activities** | (3,120) | (4,814) | (7,934) | (1,555) |
| Capital element of lease rentals paid | (4,740) | 4,740 | – | – |
| Interest element of lease rentals paid | (545) | 545 | – | – |
| Proceeds from sub-lease | 471 | (471) | – | – |
| **Net cash generated from financing activities** | 17,353 | 4,814 | 22,167 | (4,621) |

*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.

*(d) 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.

## 2 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 year is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Point in time | **500,257** | 434,688 |
| Over time | **–** | 39 |
| | **500,257** | 434,727 |

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

| | **2019** | 2018 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Provision of mobile advertising services | **500,257** | 434,688 |
| Game publishing | **–** | 39 |
| | **500,257** | 434,727 |

The Group's customer base is diversified. During the year ended 31 December 2019, no single customer contributed to 10% or more of the Group's revenue (2018: one). The amount of sales to the customer during the year ended 31 December 2018 was US$101,048,000.

**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 | |
|---|---|---|
| | **2019** | 2018 |
| | ***US$'000*** | *US$'000* |
| China *(note (i))* | **291,137** | 279,964 |
| EMEA *(note (ii))* | **72,737** | 38,913 |
| Americas *(note (iii))* | **67,755** | 41,735 |
| Asia Pacific | **52,535** | 55,725 |
| Rest of Asia *(note (iv))* | **10,603** | 12,102 |
| Others | **5,490** | 6,288 |
| | **500,257** | 434,727 |

*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 Kingdom, Switzerland, Germany, Saudi Arabia, Jordan, Egypt and Nigeria.

(iii) Primarily includes United States, Canada, Mexico, Brazil, Argentina and Chile.

(iv) Primarily includes Central and South Asia.

## 3 Income tax in the consolidated statements of profit or loss

### (a) Income tax in the consolidated statements of profit or loss represents:

| | **2019** | 2018 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Current tax | **3,498** | 3,797 |
| Deferred tax | **(2,109)** | 500 |
| | **1,389** | 4,297 |

*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 for 2019 is taken into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2018–19 subject to a maximum reduction of HK$20,000 for each business (2018: a maximum reduction of HK$30,000 was granted for the year of assessment 2017–18 and was taken into account in calculating the provision for 2018).

(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 year ended 31 December 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 year.

(vi) Guangzhou Huiliang Information Technology Company Limited, 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% commencing 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 ended 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 year.

(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.

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

| | **2019** | 2018 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Profit before taxation | **23,458** | 26,151 |
| Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned | **3,069** | 3,343 |
| Tax effect of non-deductible expenses | **57** | 630 |
| Tax effect of non-taxable income | **(88)** | (136) |
| Super Deduction of research and development expenses | **(1,044)** | (537) |
| Over-provision in prior years | **(298)** | (384) |
| Tax concession | **(608)** | 1,356 |
| Others | **301** | 25 |
| Actual tax expense | **1,389** | 4,297 |

## 4 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$22,069,000 (2018: US$21,854,000) and the weighted average of 1,471,466,607 ordinary shares (2018: 1,144,598,398 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

| | **2019** | 2018 |
|---|---|---|
| At 1 January *(note)* | **1,446,866,842** | 1,127,999,842 |
| Effect of vested RSUs | **9,598,918** | – |
| Effect of issuance of ordinary shares upon initial public offering *(note 7(b)(iii))* | **–** | 16,598,556 |
| Effect of issuance of over-allotment shares *(note 7(b)(v))* | **15,000,847** | – |
| Weighted average number of ordinary shares at 31 December | **1,471,466,607** | 1,144,598,398 |

*Note:*

The weighted average number of shares in issue during the year ended 31 December 2018 was based on the assumption that the 1,127,999,842 shares (excluding effect of treasure shares of 71,936,328) were issued before the listing of shares on the Stock Exchange, as if such shares had been outstanding throughout the year ended 31 December 2018. The number of ordinary shares as at 1 January 2019 represents 1,518,867,000 outstanding ordinary shares as of the date netting of 72,000,158 treasure shares held by RSU trustees as at 1 January 2019.

**(b) Diluted earnings per share**

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of US$22,069,000 (2018: US$21,854,000) and the weighted average number of ordinary shares of 1,496,241,136 shares (2018: 1,165,766,460 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)***

| | **2019** | 2018 |
|---|---|---|
| Weighted average number of ordinary shares at 31 December | **1,471,466,607** | 1,144,598,398 |
| Effect of unvested shares under the Company's share award scheme | **24,774,529** | 21,168,062 |
| Weighted average number of ordinary shares (diluted) at 31 December | **1,496,241,136** | 1,165,766,460 |

## 5 Trade and other receivables

| | **2019** | 2018 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Trade receivables | **245,743** | 159,955 |
| Less: Allowance for doubtful debts | **(26,330)** | (14,453) |
| | **219,413** | 145,502 |
| Deposits and prepayments | **12,308** | 8,688 |
| Other receivables *(note (i))* | **89,232** | 67,970 |
| | **320,953** | 222,160 |
| Less: Non-current deposits and prepayments *(note (ii))* | **(3,302)** | (1,306) |
| | **317,651** | 220,854 |

All of the trade and other receivables included in current assets are expected to be recovered or recognised as expense within one year.

*Notes:*

(i) As at 31 December 2019, other receivables of the Group included investments in wealth management products of US$78,640,000 issued by financial institutions in the PRC and Hong Kong, which were maturing within one year, with guaranteed principals and fixed returns per annum.

(ii) As at 31 December 2019, the Group held a loan receivable from a third party, which has a principal amount of US$1,700,000 maturing within two year and bears an interest at 3% per annum.

### (a) Ageing analysis

As at 31 December 2019, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the revenue recognition date and net of allowance for doubtful debts, is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Within 3 months | **128,800** | 108,791 |
| 3 to 6 months | **59,700** | 21,772 |
| 6 to 12 months | **29,019** | 12,117 |
| Over 12 months | **1,894** | 2,822 |
| | **219,413** | 145,502 |

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

## 6 Trade and other payables

| | **2019** | 2018 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Trade payables *(note (a))* | **144,722** | 124,918 |
| Amounts due to related parties | **458** | 56 |
| Other payables | **10,422** | 15,279 |
| Receipt in advance | **8,601** | 5,014 |
| Staff costs payables | **6,358** | 5,635 |
| VAT and other tax payables | **2,310** | 1,199 |
| | **172,871** | 152,101 |

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

As at 31 December 2019 and 2018, the amounts due to related parties were non-trade related, unsecured and interest-free.

**(a) An ageing analysis of the trade payables based on the invoice date is as follows:**

| | **2019** | 2018 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Within 1 month | **38,081** | 43,231 |
| 1 to 2 months | **36,420** | 27,305 |
| 2 to 3 months | **29,473** | 20,908 |
| Over 3 months | **40,748** | 33,474 |
| | **144,722** | 124,918 |

## 7 Share capital

### (a) Authorised

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Number of shares** | **Nominal value of shares** | Number of shares | Nominal value of shares |
| | | ***US$'000*** | | *US$'000* |
| At 1 January | **10,000,000,000** | **100,000** | – | – |
| Additions | **–** | **–** | 10,000,000,000 | 100,000 |
| At 31 December | **10,000,000,000** | **100,000** | 10,000,000,000 | 100,000 |

The Company was incorporated in the Cayman Islands with an authorised share capital of US$50,000 divided into 5,000,000 shares of US$0.01 each and issued one share, credited as fully paid.

Pursuant to written resolutions consented by the board of directors of the Company on 30 October 2018, the Company's authorised share capital was increased to US$100,000,000 by the creation of an additional 9,995,000,000 ordinary shares of US$0.01 each, ranking pari passu with the existing ordinary shares of the Company in all respects.

**(b) Issued and fully paid**

| | Note | Ordinary shares Number of ordinary shares | Nominal value of fully paid ordinary shares US$'000 |
|---|---|---|---|
| As at 1 January 2018 | | – | – |
| Issuance of ordinary shares upon incorporation | | 1 | – |
| Issuance of ordinary shares in connection with the Reorganisation | *i* | 1,000,000 | 10 |
| Issuance of ordinary shares to RSU trustees | *ii* | 63,830 | 1 |
| Issuance of shares upon initial public offering | *iii* | 318,867,000 | 3,188 |
| Capitalisation issue | *iv* | 1,198,936,169 | 11,989 |
| As at 31 December 2018 | | 1,518,867,000 | 15,188 |
| As at 31 December 2018 and 1 January 2019 | | 1,518,867,000 | 15,188 |
| Issuance of ordinary share in IPO over-allotment | *v* | 15,337,000 | 153 |
| As at 31 December 2019 | | 1,534,204,000 | 15,341 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(i) In connection with the Reorganisation, on 13 April 2018, Seamless established Worldwide Target Limited ("**Worldwide BVI**") as its wholly-owned subsidiary in the BVI, and then transferred to Worldwide BVI the entire share capital of each of Mintegral Limited, Flash Banner Technology Company Limited, Advertter Technology Company Limited, Mintegral International Limited, Westcore Technology Limited, Adlogic Technology Pte. Ltd. and Mobvista International Technology Limited (together the "**Transferred Entities**"), in consideration for 60,217,492 shares of the Worldwide BVI.

On 8 August 2018, the Company issued 1,000,000 shares with par value of US$0.01 to Seamless in exchange for the entire share capital of Worldwide BVI. Upon the completion of the Reorganisation, the Company becomes the holding company of the Group.

Consequently, the combined share capital of US$39,000 of the Transferred Entities is deducted from the share capital, and the difference of US$29,000 between the consideration and the share capital of the transferred entities was recorded as a capital reserve.

(ii) On 12 October 2018, the Company issued 63,830 ordinary shares with a par value of US$0.01 each to the RSU trustees.

(iii) Upon completion of the IPO, the Company issues 318,867,000 new shares at a price of HK$4.00 per share. The total gross proceeds received by the Company in connection with IPO were approximately US$163,056,000 (equivalent to HK$1,275,468,000), of which US$3,188,000 were credited to the Company's share capital account. The remaining proceeds of US$159,867,000, less the listing costs directly attributable to the issue of the shares of US$9,520,000, amounted to US$150,347,000 were credited to the Company's share premium account.

(iv) On 12 December 2018, 1,198,936,169 ordinary shares of US$0.01 each were issued at par value to the shareholders of the Company by way of capitalisation of US$11,989,000 from the Company's share premium account.

(v) 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.

## 8 Dividends

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.

There is no final dividend proposed for the year ended 31 December 2019.

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to the management and staff of the Group for their commitment and contribution during the year. I would also like to express my appreciation to the guidance from the regulators and continued support from our shareholders and customers.

By order of the Board
**Mobvista Inc.**
**DUAN Wei**
*Chairman & Executive Director*

Guangzhou, the PRC, 31 March 2020

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Duan Wei, Mr. Cao Xiaohuan and Mr. Fang Zikai as Executive Directors and Mr. Ying Lei, Mr. Wang Jianxin and Mr. Hu Jie as Independent Non-executive Directors.*

*This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realised in future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved. Shareholders and potential investors should therefore not place undue reliance on such statements.*

*If there is any inconsistency in this announcement between the Chinese and English versions, the English version shall prevail.*